

COUNTY AUDIT

ROGERS COUNTY

For the fiscal year ended June 30, 2011



Oklahoma State
Auditor & Inspector
Gary A. Jones, CPA, CFE

**ROGERS COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

April 2, 2014

TO THE CITIZENS OF
ROGERS COUNTY, OKLAHOMA

Transmitted herewith is the audit of Rogers County, Oklahoma for the fiscal year ended June 30, 2011. The audit was conducted in accordance with 19 O.S. § 171.

A report of this type can be critical in nature. Failure to report commendable features in the accounting and operating procedures of the entity should not be interpreted to mean that they do not exist.

The goal of the State Auditor and Inspector is to promote accountability and fiscal integrity in state and local government. Maintaining our independence as we provide this service to the taxpayers of Oklahoma is of utmost importance.

We wish to take this opportunity to express our appreciation for the assistance and cooperation extended to our office during our engagement.

Sincerely,

GARY A. JONES, CPA, CFE
OKLAHOMA STATE AUDITOR & INSPECTOR

**ROGERS COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**ROGERS COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

ITEMS OF INTEREST

Finding 2011-16 – Overcharges and Fictitious Invoice Submitted for Federal Reimbursement: An apparent fictitious invoice of \$36,476.78 was used to claim FEMA expenditures on several projects. FEMA expenditures were over-charged through double invoicing in the amount of \$258,018.09 and through claimed estimates in excess of the actual invoices of \$25,853.08. (Pg. 23)

Finding 2011-17 – Questioned Costs Related to Federal FEMA Funds: A total of \$5,524,224.85 of questioned costs were noted throughout the entirety of the FEMA project. This consisted of expenditures claimed without sufficient documentation, invoices submitted twice for reimbursement, and incorrect charges for equipment use and labor. (Pg. 25)

Finding 2011-18 – Advance of FEMA Funds for Equipment Lease-Purchased: The County financed \$666,343.04 of equipment purchases made while claiming the full purchase price as expenditures incurred to FEMA. One piece of equipment was financed for 13 months after reimbursement was made. (Pg. 27)

Finding 2011-19 – Apparent Waste of Federal Funds – Lowest Price Not Sought in Purchase of Drill Rig: The County failed to bid in a way to ensure the County received the lowest and best price available. In this instance, the County expended \$73,910 more on a drill rig than was necessary. (Pg. 29)

Finding 2011-21 – Bid-Restricting – Preference Shown to Vendor: The County solicited bids for a trade name product of “ChipLock,” thus restricting bids to one vendor. This same vendor was once granted sole-source status, and the County has expended \$8,085,611.56 with this vendor since July 1, 2010. (Pg. 31)

Finding 2011-22 – No Verification of Road Construction/Materials Documented: The District 2 Commissioner approved road projects with a vendor in amounts ranging from \$6,000 to \$2.5 million without ensuring funds were available. Further, these expenditures did not have proper supporting documentation. (Pg. 33)

Finding 2011-23 – Back-Dated Documents Submitted for FEMA Project – Engineering Services Not Competitively Considered: Documentation was back-dated between the County and an engineering firm to create the appearance of competitively considering engineering services in accordance with FEMA requirements. (Pg. 35)

Finding 2011-24 – County Property Used for Personal Use: The County Treasurer’s cell phone has \$40 internet and \$20 texting packages, and it is not used exclusively for work-related matters. The internet card assigned to the Treasurer incurred data charges of \$481.13 between 10:48 P.M. on a Sunday night to 1:24 A.M. on the following Monday morning. (Pg. 37)

Finding 2011-25 – Board Approval Not Obtained for Work on Private Property: The District 3 Commissioner used County-owned equipment to perform work on land leased by the Commissioner, and work was performed after midnight on 7/1/2011. The work was not approved by the BOCC, nor was a written agreement obtained from the landowner to perform this work. (Pg. 38)

Finding 2011-26 – Public Information Officer Paid from Restricted Highway Funds: The County paid a public information officer \$12,000 out of the T-Highway Fund, and none of the work performed was work on county roads. All monies expended out of the T-Highway Fund are to be for county roads. (Pg. 40)

Finding 2011-27 – Purchases “Split” to Avoid Competitive Bidding: Two instances were noted where District 2 split purchases, and District Attorneys have opined that these instances were improper. One instance was \$56,200 of equipment split between six purchase orders between March 29, 2012 and August 13, 2012. (Pg. 41)

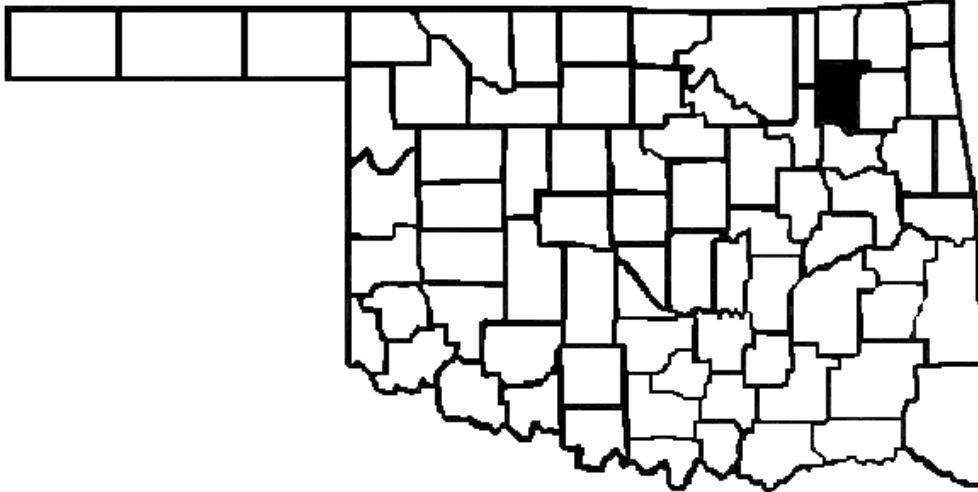
**ROGERS COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

ITEMS OF INTEREST (Continued)

Finding 2011-28 – Vendor-paid Events – Contributions Solicited from Vendors: On several occasions the District 2 Secretary (currently Rogers County Clerk) solicited donations/contributions from vendors for parties and events. (Pg. 42)

INTRODUCTORY SECTION
UNAUDITED INFORMATION ON PAGES iii -ix
PRESENTED FOR INFORMATIONAL PURPOSES ONLY

**ROGERS COUNTY, OKLAHOMA
STATISTICAL INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**



Originally part of the Cherokee Nation, Rogers County was created at statehood, and named for Clem V. Rogers, member of the Oklahoma Constitutional Convention and father of famed Will Rogers.

Claremore, the county seat, was named for the Osage Chief Clermont, killed during the Clermont Mound Massacre. It claims as its own such notables as singer Patti Page and astronaut Stuart Roosa. Lynn Riggs, author of *Green Grow the Lilacs*, from which the musical *Oklahoma!* was adapted, was born three miles from Claremore. J.M. Davis, a local resident, owned a hotel and collected more than 20,000 guns in his lifetime.

Catoosa, now a port, was once a rail terminal which saw the likes of the Daltons, Youngers, Doolins, and other outlaws pass through its boundaries. The port's waterway extends from the Verdigris, Arkansas and Mississippi rivers to the Gulf of Mexico.

While agriculture is still basic, the mining of coal and shale has also been important to the economy of Rogers County. Points of interest in the county include the Will Rogers Memorial Museum in Claremore, which attracts nearly one million visitors annually; the J.M. Davis Gun Museum; Totem Pole Historical Park located east of Foyil; and the Belvidere Mansion in Claremore. For more information, call the county clerk's office at 918/341-2518.

County Seat – Claremore

Area – 711.44 Square Miles

County Population – 85,654
(2009 est.)

Farms – 1,963

Land in Farms – 371,349 Acres

Primary Source: Oklahoma Almanac 2011-2012

**ROGERS COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Board of County Commissioners

District 1 – Dan DeLozier
District 2 – Mike Helm
District 3 – Kirt Thacker

County Assessor

Scott Marsh

County Clerk

Peggy Armstrong

County Sheriff

Scott Walton

County Treasurer

Cathy Pinkerton-Baker

Court Clerk

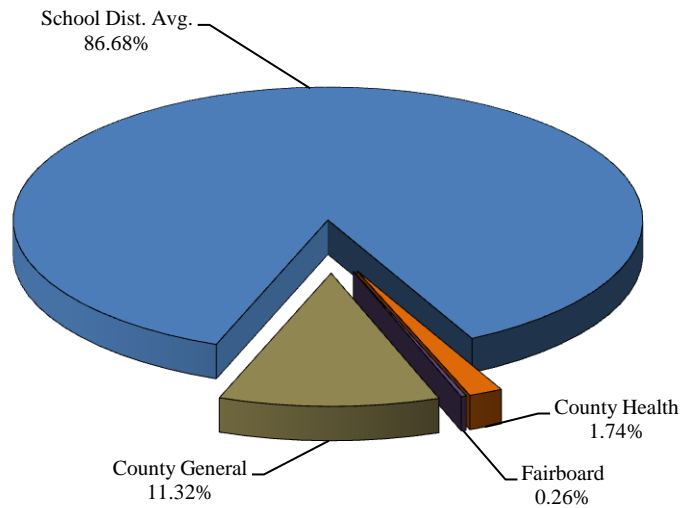
Candi Czapansky

District Attorney

Janice Steidley

**ROGERS COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

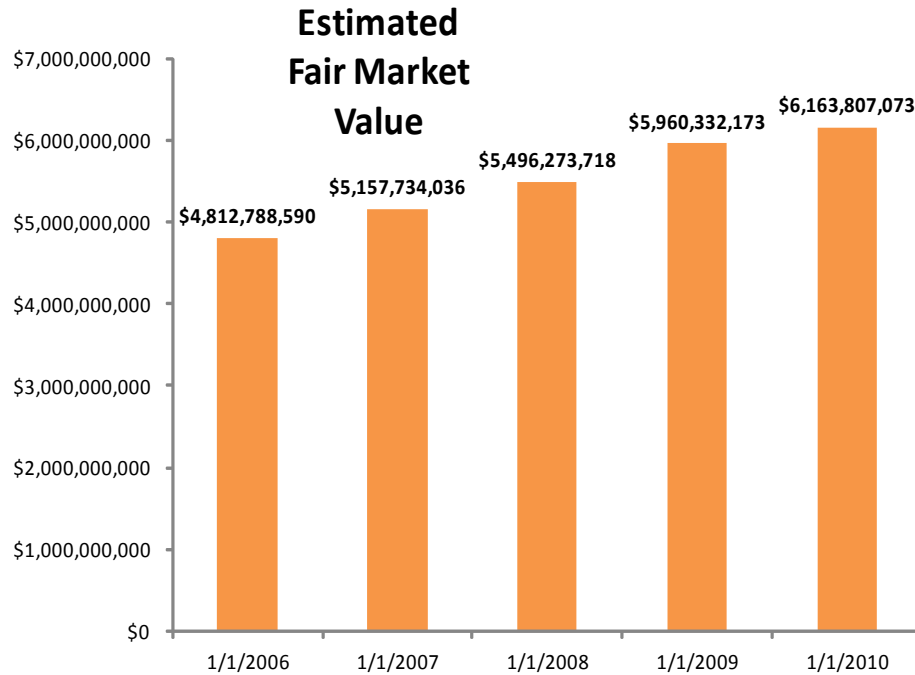
Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the tax on that property is \$1.00. This chart shows the different entities of the County and their share of the various millages as authorized by the Constitution.



County-Wide Millages		School District Millages							
						Career			
County General	10.01			Gen.	Bldg.	Skg.	Tech	Common	Total
County Health	1.54	Claremore	1	35.97	5.14	21.17	11.27	4.099	77.65
Fairboard	0.23	Catoosa	2	35.46	5.06	18.80	13.18	4.099	76.60
		Chelsea	3	36.51	5.22	19.70	11.27	4.099	76.80
Others		Oologah-Talala	4	35.38	5.05	13.62	11.27	4.099	69.42
Oologah/Talala EMS	4.90	Inola	5	36.33	5.19	19.59	11.27	4.099	76.48
		Sequoyah	6	36.69	5.24	23.02	11.27	4.099	80.32
Fire Districts		Foyil	7	36.42	5.20	26.02	11.27	4.099	83.01
Verdigris	10.30100	Verdigris	8	35.65	5.09	16.39	11.27	4.099	72.50
Limestone	14.28000	Justus-Tiawah	9	36.48	5.21	21.79	11.27	4.099	78.85
Northwest	12.54572	Tulsa-Collinsville	JT-6	36.47	5.60	22.62	11.27	4.099	80.06
NW Cities	12.54572	Tulsa-Owasso	JT-11	36.81	5.26	26.79	11.27	4.099	84.23
Foyil	12.45950	Mayes	JT-32	36.84	5.26	5.99	11.27	4.099	63.46
Tri-District	10.00000								

**ROGERS COUNTY, OKLAHOMA
ASSESSED VALUE OF PROPERTY
TREND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

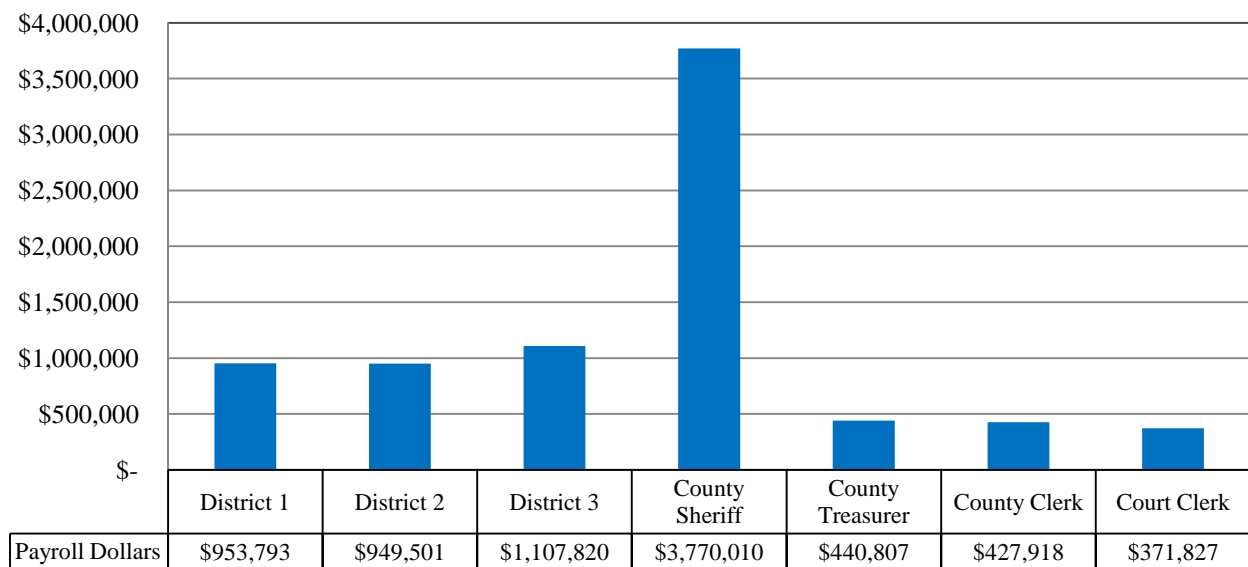
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2010	\$131,410,688	\$114,676,528	\$452,078,227	\$20,146,665	\$678,018,778	\$6,163,807,073
1/1/2009	\$130,429,290	\$115,904,148	\$429,157,314	\$19,854,213	\$655,636,539	\$5,960,332,173
1/1/2008	\$117,414,594	\$106,694,142	\$400,046,100	\$19,564,727	\$604,590,109	\$5,496,273,718
1/1/2007	\$104,187,410	\$112,254,821	\$370,164,549	\$19,256,036	\$567,350,744	\$5,157,734,036
1/1/2006	\$81,165,769	\$119,413,097	\$348,012,635	\$19,184,756	\$529,406,745	\$4,812,788,590



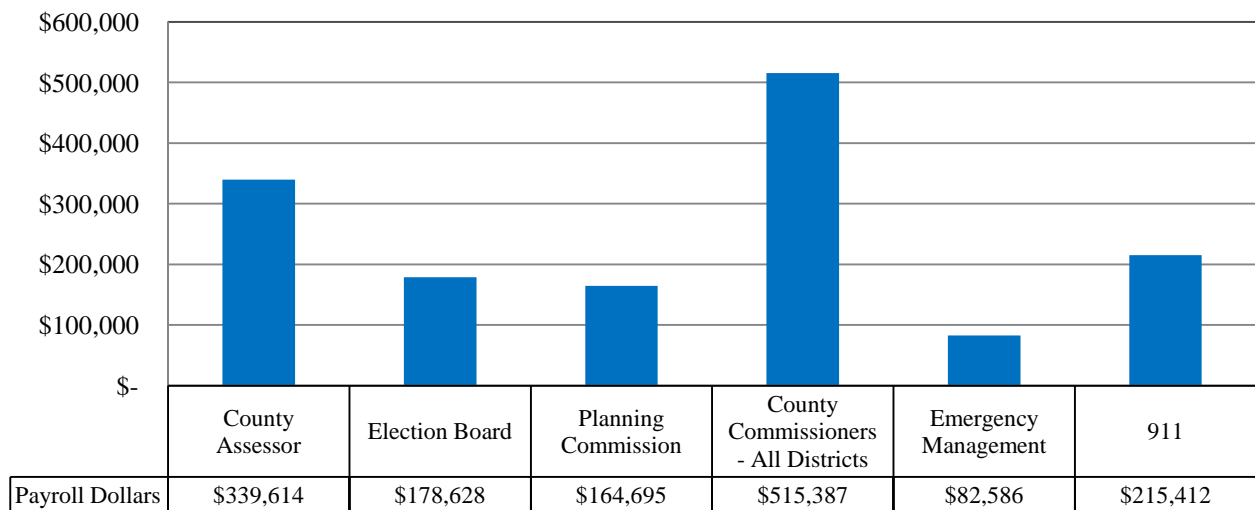
**ROGERS COUNTY, OKLAHOMA
COUNTY PAYROLL EXPENDITURES ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

County officers' salaries are based upon the assessed valuation and population of the counties. State statutes provide guidelines for establishing elected officers' salaries. The Board of County Commissioners sets the salaries for all elected county officials within the limits set by the statutes. The designated deputy or assistant's salary cannot exceed the principal officer's salary. Salaries for other deputies or assistants cannot exceed the principal officer's salary. The information presented below is for the fiscal year ended June 30, 2011.

Payroll Expenditures by Department



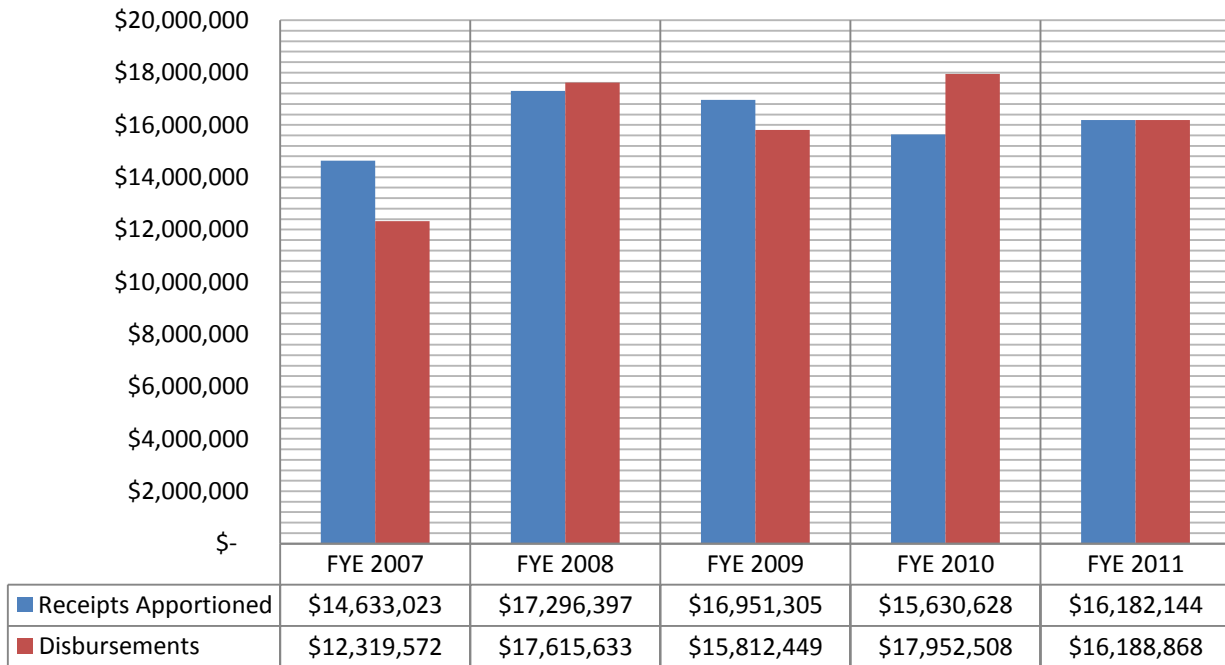
Payroll Expenditures by Department



**ROGERS COUNTY, OKLAHOMA
COUNTY GENERAL FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

County General Fund

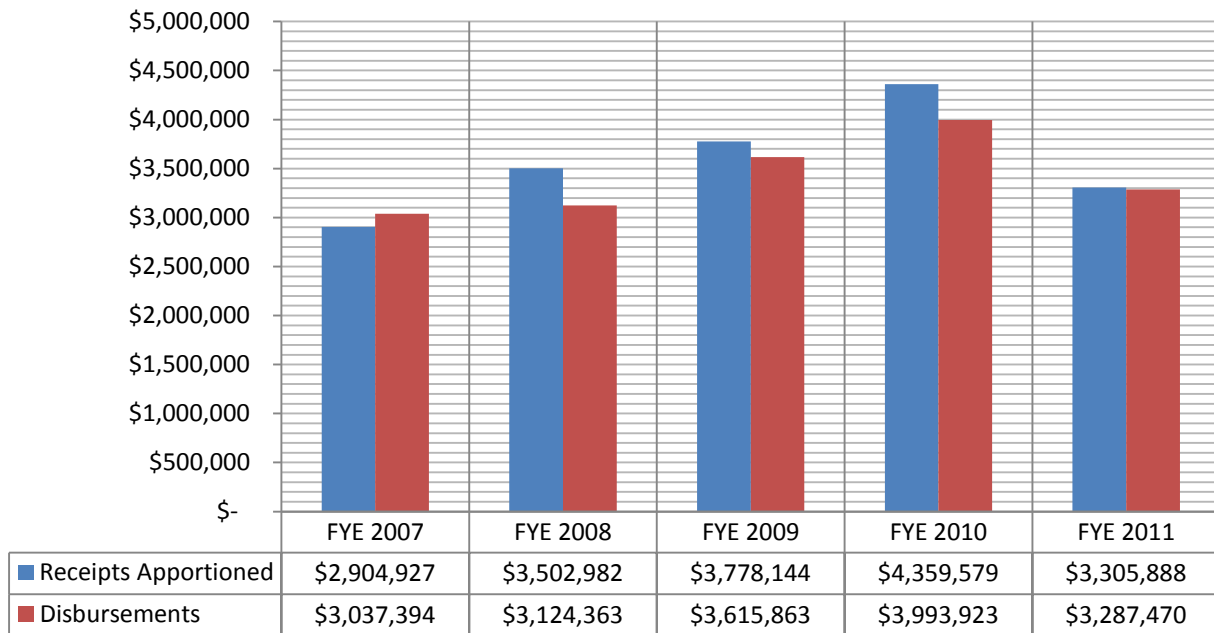
The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county's primary source of operating revenue. The County General Fund is typically used for county employees' salaries plus many expenses for county maintenance and operation. It also provides revenue for various budget accounts and accounts that support special services and programs. The Board of County Commissioners must review and approve all expenditures made from the County General Fund. The primary revenue source for the County General Fund is usually the county's ad valorem tax collected on real, personal (if applicable), and public service property. Smaller amounts of revenue can come from other sources such as fees, sales tax, use tax, state transfer payments, in-lieu taxes, and reimbursements. The chart below summarizes receipts and disbursements of the County's General Fund for the last five fiscal years.



**ROGERS COUNTY, OKLAHOMA
COUNTY HIGHWAY FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

County Highway Fund

The County receives major funding for roads and highways from a state imposed fuel tax. Taxes are collected by the Oklahoma Tax Commission. Taxes are imposed on all gasoline, diesel, and special fuel sales statewide. The County's share is determined on formulas based on the County population, road miles, and land area and is remitted to the County monthly. These funds are earmarked for roads and highways only and are accounted for in the County Highway Fund. The chart below summarizes receipts and disbursements of the County's Highway Fund for the last five fiscal years.



FINANCIAL SECTION



Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

Independent Auditor's Report

TO THE OFFICERS OF
ROGERS COUNTY, OKLAHOMA

We have audited the combined total—all county funds on the accompanying regulatory basis Statement of Receipts, Disbursements, and Changes in Cash Balances of Rogers County, Oklahoma, as of and for the year ended June 30, 2011, listed in the table of contents as the financial statement. This financial statement is the responsibility of Rogers County's management. Our responsibility is to express an opinion on the combined total—all county funds on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, this financial statement was prepared using accounting practices prescribed or permitted by Oklahoma state law, which practices differ from accounting principles generally accepted in the United States of America. The differences between this regulatory basis of accounting and accounting principles generally accepted in the United States of America are also described in Note 1.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Rogers County as of June 30, 2011, or changes in its financial position for the year then ended.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash balances for all county funds of Rogers County, for the year ended June 30, 2011, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2014, on our consideration of Rogers County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the combined total of all county funds on the financial statement. The Other Supplementary Information, as listed in the table of contents, is presented for purposes of additional analysis, and is not a required part of the financial statement. Such supplementary information has been subjected to the auditing procedures applied in the audit of the combined total—all county funds on the regulatory basis Statement of Receipts, Disbursements and Changes in Cash Balances and, in our opinion, is fairly stated, in all material respects, in relation to the combined total—all county funds. Rogers County has not presented the budgetary comparison information for the Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances – Budget and Actual – Budgetary Basis – General Fund. Although not a part of the basic financial statement, such information is an integral part of the regulatory presentation for county government. The information listed in the table of contents under Introductory Section has not been audited by us, and accordingly, we express no opinion on it.

A handwritten signature in blue ink, appearing to read "Gary A. Jones".

GARY A. JONES, CPA, CFE
OKLAHOMA STATE AUDITOR & INSPECTOR

March 27, 2014

REGULATORY BASIS FINANCIAL STATEMENT

ROGERS COUNTY, OKLAHOMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS
(WITH COMBINING INFORMATION)—MAJOR FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Beginning Cash Balances July 1, 2010	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2011
Combining Information:						
Major Funds:						
County General Fund	\$ 5,315,387	\$ 16,182,144	\$ -	\$ -	\$ 16,188,868	\$ 5,308,663
T-Highway	1,595,921	3,305,888	-	-	3,287,470	1,614,339
County Health	986,793	1,068,506	-	-	986,074	1,069,225
Criminal Justice Authority	593,298	2,265,523	-	-	2,674,625	184,196
Use Tax	-	966,757	-	-	889,894	76,863
Sheriff Jail Account	2,753,194	2,687,512	-	-	2,627,226	2,813,480
County Bridge and Road Improvement Fund	-	901,204	-	-	209,252	691,952
Remaining Aggregate Funds	1,735,780	2,741,310	3,967	-	2,800,653	1,680,404
Combined Total - All County Funds	\$ 12,980,373	\$ 30,118,844	\$ 3,967	\$ -	\$ 29,664,062	\$ 13,439,122

The notes to the financial statement are an integral part of this statement.

**ROGERS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

1. Summary of Significant Accounting Policies

A. Reporting Entity

Rogers County is a subdivision of the State of Oklahoma created by the Oklahoma Constitution and regulated by Oklahoma Statutes.

The accompanying financial statement presents the receipts, disbursements, and changes in cash balances of the total of all funds under the control of the primary government. The general fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund, where its use is restricted for a specified purpose. Other funds established by statute and under the control of the primary government are also presented.

The County Treasurer collects and remits material amounts of intergovernmental revenues and ad valorem tax revenue for other budgetary entities, including emergency medical districts, school districts, and cities and towns. The cash receipts and disbursements attributable to those other entities do not appear in funds on the County's financial statement; those funds play no part in the County's operations. Any trust or agency funds maintained by the County are not included in this presentation.

B. Fund Accounting

The County uses funds to report on receipts, disbursements, and changes in cash balances. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

Following are descriptions of the county funds included as combining information within the financial statement:

County General Fund – revenues are from ad valorem taxes, officer's fees, sales tax, interest earnings, and miscellaneous collections of the County. Disbursements are for the general operations of the County.

T-Highway – revenues are from state imposed fuel taxes. Disbursements are for the maintenance and construction of county roads and bridges.

County Health – accounts for monies collected on behalf of the county health department from ad valorem taxes, state and local revenues, and miscellaneous fees charged by the health department. Disbursements are for the operation of the county health department.

Criminal Justice Authority – revenues are from County sales tax and disbursements are for the payment of bonds sold to build the jail. Excess revenues are used for general operations of the County jail.

**ROGERS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Use Tax – revenues are from sales tax charged to out-of-county vendors on in-county sales. Disbursements are for any legal expense of the County.

Sheriff Jail Account – revenues are from a county sales tax. Disbursements are for the maintenance and operation of the jail, salaries, food, medical expenses, board of prisoners, and travel.

County Bridge and Road Improvement Fund (CBRIF) – accounts for state money received for the construction and/or improvement of bridges within the County.

C. Basis of Accounting

The financial statement is prepared on a basis of accounting wherein amounts are recognized when received or disbursed. This basis of accounting differs from accounting principles generally accepted in the United States of America, which require revenues to be recognized when they become available and measurable or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred. This regulatory basis financial presentation is not a comprehensive measure of economic condition or changes therein.

Title 19 O.S. § 171 specifies the format and presentation for Oklahoma counties to present their financial statement on a regulatory basis. County governments (primary only) are required to present their financial statements on a fund basis format with, at a minimum, the general fund and all other county funds, which represent ten percent or greater of total county revenue. All other funds included in the audit shall be presented in the aggregate in a combining statement.

D. Budget

Under current Oklahoma Statutes, a general fund and a county health department fund are the only funds required to adopt a formal budget. On or before May 31 of each year, each officer or department head submits an estimate of needs (budget) to the governing body. The budget is approved for the respective fund by office, or department and object. Within weeks, the County Budget Board may approve changes of appropriations within the fund by office or department and object.

For the highway funds and other funds, which are not required to adopt a formal budget, appropriations are made on a monthly basis, according to the funds then available.

E. Cash and Investments

For the purposes of financial reporting, “Ending Cash Balances, June 30” includes cash and cash equivalents and investments as allowed by statutes. The County pools the cash of its various funds in maintaining its bank accounts. However, cash applicable to a particular fund is readily identifiable on the County’s books. The balance in the pooled cash accounts is available to meet current operating requirements.

**ROGERS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

State statutes require financial institutions with which the County maintains funds to deposit collateral securities to secure the County's deposits. The amount of collateral securities to be pledged is established by the County Treasurer; this amount must be at least the amount of the deposit to be secured, less the amount insured (by, for example, the FDIC).

The County Treasurer has been authorized by the County's governing board to make investments. Allowable investments are outlined in statutes 62 O.S. § 348.1 and § 348.3.

All investments must be backed by the full faith and credit of the United States Government, the Oklahoma State Government, fully collateralized, or fully insured. All investments as classified by state statute are nonnegotiable certificates of deposit. Nonnegotiable certificates of deposit are not subject to interest rate risk or credit risk.

2. Ad Valorem Tax

The County's property tax is levied each October 1 on the assessed value listed as of January 1 of the same year for all real and personal property located in the County, except certain exempt property. Assessed values are established by the County Assessor within the prescribed guidelines established by the Oklahoma Tax Commission and the State Equalization Board. Title 68 O.S. § 2820.A. states, ". . . Each assessor shall thereafter maintain an active and systematic program of visual inspection on a continuous basis and shall establish an inspection schedule which will result in the individual visual inspection of all taxable property within the county at least once each four (4) years."

Taxes are due on November 1 following the levy date, although they may be paid in two equal installments. If the first half is paid prior to January 1, the second half is not delinquent until April 1. Unpaid real property taxes become a lien upon said property on October 1 of each year. Unpaid delinquent personal property taxes are published usually in May. If the taxes are not paid within 30 days from publication, they shall be placed on the personal tax lien docket.

3. Other Information

A. Pension Plan

Plan Description. The County contributes to the Oklahoma Public Employees Retirement Plan (the Plan), a cost-sharing, multiple-employer defined benefit pension plan administered by the Oklahoma Public Employees Retirement System (OPERS). Benefit provisions are established and amended by the Oklahoma Legislature. The Plan provides retirement, disability, and death benefits to Plan members and beneficiaries. Title 74, Sections 901 through 943, as amended, establishes the provisions of the Plan. OPERS issues a publicly available financial report that includes financial statements and supplementary information. That report may be obtained by writing OPERS, P.O. Box 53007, Oklahoma City, Oklahoma 73105 or by calling 1-800-733-9008.

**ROGERS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Funding Policy. The contribution rates for each member category are established by the Oklahoma Legislature and are based on an actuarial calculation which is performed to determine the adequacy of contribution rates.

B. Other Post Employment Benefits (OPEB)

In addition to the pension benefits described in the Pension Plan note, OPERS provides post-retirement health care benefits of up to \$105 each for retirees who are members of an eligible group plan. These benefits are funded on a pay-as-you-go basis as part of the overall retirement benefit. OPEB expenditure and participant information is available for the state as a whole; however, information specific to the County is not available nor can it be reasonably estimated.

C. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, primarily the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time; although, the County expects such amounts, if any, to be immaterial.

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in management's opinion, the resolution of these matters will not have a material adverse effect on the financial condition of the County.

D. Long Term Obligations

Capital Leases

The County acquires road machinery and equipment through lease-purchase agreements financed by the Oklahoma Department of Transportation and/or the equipment vendors or their assignees pursuant to the provisions of 69 O. S. § 636.1 through § 636.7. Lease agreements entered into with the Oklahoma Department of Transportation (ODOT) are interest free, but have a one-time fee of 3% on all pieces of machinery acquired.

E. Sales Tax

On February 5, 2008, Rogers County voters approved the renewal of a one-cent sales tax, which originally began on April 1, 1988. The sales tax was renewed for a period of five years. Proceeds of the sales tax are to be used for the construction, operation, and maintenance for the county road and bridge system.

The voters of Rogers County approved a ½ % sales tax effective May 1, 1997, to be administered by the Rogers County Criminal Justice Authority for the purpose of acquiring a site and erecting, furnishing, equipping, operating, and maintaining a county jail to be applied or pledged toward

**ROGERS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

the payment of principal and interest on any indebtedness, including refunding indebtedness, incurred by or on behalf of Rogers County for such purposes. This ½% sales tax became effective May 1, 1997, and continues thereafter, but reduces to one-third percent (1/3%) on the earlier of May 1, 2015, or the date of payment or provision for payment of all indebtedness, incurred by or on behalf of Rogers County. The principal debt was retired in 2009 and the sales tax was reduced to one-third percent (1/3%).

On December 8, 2009, Rogers County voters approved to extend the one-third of the one-half cent (one-sixth) sales tax for the purpose of erecting, furnishing, equipping, renovating, operating and maintaining county buildings and facilities and acquiring sites therefore and/or to be applied or pledged toward the payment of principal and interest on any indebtedness, including refunding indebtedness incurred by or on behalf of Rogers County for such purpose such sales tax is to commence January 1, 2010 and continue thereafter until the earlier of thirty (30) years from the commencement date or the date of payment or provision for payment of all indebtedness including refunding indebtedness incurred by or on behalf of Rogers County for such purpose.

F. Interfund Transfer

During the fiscal year, the County made the following transfer between cash funds:

- \$3,967.10 was transferred from Excess Resale to Resale Property. Excess Resale is a trust and agency fund and is not presented on the County's financial statements.

G. Subsequent Events

A court case (CJ-2004-234), in which the County was a defendant, was settled on May 2, 2012. The plaintiff was awarded \$27,929,657.12, with interest accruing at \$4,017.28 per day at the statutory rate of 5.25% for the calendar year of 2012 and thereafter at the rate prescribed in Oklahoma Statutes Title 12 O.S. § 727.1. The Rogers County Finance Authority has issued a sales tax revenue bond in the amount of \$32,375,000 to pay this judgment and all costs involved. County officials have approved levying an excise tax of 1/8% and a use tax of 1/8% to pay the debt service on said bond. The maturity date of said bond is August 1, 2036.

H. Restatement of Prior Year Ending Balance

Due to the reclassification of funds for fiscal year ending June 30, 2010, the ending balance as reported is different than the June 30, 2011 beginning balance. The difference is due to (2) two funds being reported as trust and agency funds in fiscal year 2010 that should have been classified as county funds, resulting in an increase of \$862,059. Furthermore, the Community Development Block Grant - Advanced Research Chemical and the Community Development Block Grant - RWD#9 fund ending balance, as reported has been combined for fiscal year 2011.

**ROGERS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

H. Restatement of Prior Year Ending Balance (Continued)

Prior year ending balance, as reported	\$12,118,314
Funds reclassified as County Funds:	
Emergency 911	139,439
Cell Phone Usage	<u>722,620</u>
Prior year ending balance, as restated	<u>\$12,980,373</u>

OTHER SUPPLEMENTARY INFORMATION

ROGERS COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
COUNTY HEALTH DEPARTMENT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 986,793	\$ 986,793	\$ -
Less: Prior Year Outstanding Warrants	(43,558)	(43,558)	-
Less: Prior Year Encumbrances	(82,427)	(82,427)	-
Add: Lapsed Reserves	-	12,784	12,784
Beginning Cash Balances, Budgetary Basis	860,808	873,592	12,784
Receipts:			
Ad Valorem Taxes	949,226	1,021,075	71,849
Miscellaneous Revenues	48,486	47,431	(1,055)
Total Receipts, Budgetary Basis	997,712	1,068,506	70,794
Expenditures:			
Health and Welfare	1,151,864	1,049,260	102,604
Capital Outlay	706,656	-	706,656
Total Expenditures, Budgetary Basis	1,858,520	1,049,260	809,260
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	892,838	\$ 892,838
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		97,137	
Add: Current Year Outstanding Warrants		79,250	
Ending Cash Balance		\$ 1,069,225	

ROGERS COUNTY, OKLAHOMA
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS—
REMAINING AGGREGATE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Beginning Cash Balances July 1, 2010	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2011
Remaining Aggregate Funds:						
Resale Property	\$ 407,037	\$ 389,910	\$ 3,967	\$ -	\$ 469,465	\$ 331,449
Civil Defense/Emergency Management	11,817	31,833	-	-	35,882	7,768
Sheriff Drug Enforcement	2,235	-	-	-	-	2,235
Sheriff Civil Fee	176,158	290,501	-	-	416,123	50,536
County Clerk Lien Fee	29,116	23,594	-	-	38,682	14,028
Treasurer Mortgage Certification Fee	72,865	18,045	-	-	15,012	75,898
County Clerk Records Preservation	55,378	89,121	-	-	80,688	63,811
Planning Commission Engineering Fees	3,724	4,500	-	-	3,500	4,724
Sheriff Commissary	74,050	203,206	-	-	204,971	72,285
Sheriff Service Fees	29,025	103,324	-	-	58,684	73,665
Safe Room Rebate	1	-	-	-	1	-
Attendant Care	2,505	-	-	-	-	2,505
Community Development Block Grant - Advanced Research Chemical	(12,720)	50,000	-	-	37,200	80
Assessors Revolving	17,146	2,062	-	-	2,013	17,195
Energy Grant 911	3,475	-	-	-	3,475	-
Sheriff Special Account	1,756	1,502	-	-	653	2,605
Community Emergency Response Team (CERT)	153	-	-	-	153	-
County Courthouse Project	-	1,043,618	-	-	1,043,618	-
Oklahoma Highway Safety Grant	-	11,741	-	-	4,760	6,981
Wireless Prepay 911 Fee	-	5,987	-	-	-	5,987
Emergency 911	139,439	180,114	-	-	216,472	103,081
Cell Phone Usage	722,620	292,252	-	-	169,301	845,571
Combined Total - Remaining Aggregate Funds	\$ 1,735,780	\$ 2,741,310	\$ 3,967	\$ -	\$ 2,800,653	\$ 1,680,404

ROGERS COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

1. Budgetary Schedules

The Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis for the County Health Department Fund presents the comparison of the legally adopted budget with actual data. The "actual" data, as presented in the comparison of budget and actual, will differ from the data as presented in the Combined Statement of Receipts, Disbursements, and Changes in Cash Balances with Combining Information because of adopting certain aspects of the budgetary basis of accounting and the adjusting of encumbrances and outstanding warrants to their related budget year.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in these funds. At the end of the year unencumbered appropriations lapse.

2. Remaining County Funds

Remaining aggregate funds as presented on the financial statement are as follows:

Resale Property – revenues are from interest and penalties on ad valorem taxes paid late. Disbursements are to offset the expense of collecting delinquent ad valorem taxes.

Civil Defense/Emergency Management – revenues are from state and federal funds. Disbursements are for civil defense and emergency management services.

Sheriff Drug Enforcement – revenues are from the sale of property forfeited in drug cases. Disbursements are for officer training, equipment, and crime prevention.

Sheriff Civil Fee – revenues are from fees charged for serving summons and notices. Disbursements are for any lawful expense of the Sheriff's office.

County Clerk Lien Fee – revenues are from a fee charged by the County Clerk for filing liens. Disbursements are for any lawful expense of the County Clerk's office.

Treasurer Mortgage Certification Fee – revenues are from a fee for certifying mortgages. Disbursements are for any lawful expense of the Treasurer's office.

County Clerk Records Preservation – revenues are from a fee charged by the County Clerk for recording instruments. Disbursements are for the maintenance and preservation of public records.

**ROGERS COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Planning Commission Engineering Fees – revenues are from building permits, licenses, and engineering fees. Individuals put up \$500 for projects. Disbursements are made back to individuals once projects are approved.

Sheriff Commissary – revenues are from profits of commissary sales in the County jail. Disbursements are for jail improvements.

Sheriff Service Fees – revenues are from fees charged for serving summons and notices. Disbursements are for any lawful expense of the Sheriff's office.

Safe Room Rebate – accounts for federal grant funds received for the reimbursement of storm shelter installation.

Attendant Care – revenues are from state funds. Disbursements are for the payment to counselors to sit and spend time with juveniles.

Community Development Block Grant - Advanced Research Chemical - revenues are from a federal grant for the purpose of building a railroad spur at the Port of Catoosa. Disbursements are for improvements to Rural Water District #9.

Assessor Revolving – revenues are from any and all fees collected by the County Assessor plus interest earning. Disbursements are to maintain electronic databases and geographic information systems in the Assessor's office.

Energy Grant 911 – revenues are from a federal grant. Disbursements are for the building and operations of an Emergency Management Center.

Sheriff Special Account – revenues are from fees collected by the Court Clerk on behalf of the Sheriff and are used for the operations of the County Sheriff's office.

Community Emergency Response Team (CERT) – accounts for the receipt and disbursement of funds from federal and state sources for emergency management and other civil defense purposes.

County Courthouse Project – revenues are from County sales tax and disbursements are for the payment of bonds sold to build the courthouse.

Oklahoma Highway Safety Grant – accounts for the reimbursement of extra shifts of law enforcement, put on the road strictly to enforce safety against impaired driving.

Wireless Prepay 911 Fee – accounts for the collection of fees charged on prepaid telephone bills for the County's emergency 911 system. Disbursements are for expenditures related to providing these services.

ROGERS COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Emergency 911 – accounts for the collection of fees charged on telephone bills for the County's emergency 911 system. Disbursements are for expenditures related to providing these services.

Cell Phone Usage – accounts for the collection of fees charged on cell phone bills for the County's emergency 911 system. Disbursements are for expenditures related to providing these services.

INTERNAL CONTROL AND COMPLIANCE SECTION



Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based
on an Audit of Financial Statements Performed in Accordance With
*Government Auditing Standards***

TO THE OFFICERS OF
ROGERS COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Rogers County, Oklahoma, as of and for the year ended June 30, 2011, which comprises Rogers County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated March 27, 2014. Our report on the basic financial statement was adverse because the statement is not a presentation in conformity with accounting principles generally accepted in the United States of America. However, our report also included our opinion that the financial statement does present fairly, in all material respects, the receipts, disbursements, and changes in cash balances – regulatory basis of the County for the year ended June 30, 2011, on the basis of accounting prescribed by Oklahoma state law, described in Note 1. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Rogers County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Rogers County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies in internal control described in the accompanying schedule of findings and responses to be material weaknesses in internal control over financial reporting. 2011-1, 2011-3, 2011-16, 2011-17, and 2011-22.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting. 2011-2, 2011-4, 2011-5, 2011-6, 2011-18, 2011-19, 2011-20, 2011-21, 2011-23, 2011-24, 2011-25, 2011-26, 2011-27, and 2011-28.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Rogers County's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2011-20.

We noted certain matters that we reported to the management of Rogers County, which are included in Section 2 of the schedule of findings and responses contained in this report.

Rogers County's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit Rogers County's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, those charged with governance, others within the entity, and is not intended to be and should not be used by anyone other than the specified parties. This report is also a public document pursuant to the Oklahoma Open Records Act (51 O.S. § 24A.1 et seq.), and shall be open to any person for inspection and copying.

A handwritten signature in blue ink, appearing to read "Gary A. Jones".

GARY A. JONES, CPA, CFE
OKLAHOMA STATE AUDITOR & INSPECTOR

March 27, 2014

**ROGERS COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

SECTION 1—Findings related to the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Finding 2011-1 - Segregation of Duties - Payroll (Repeat Finding)

Condition: A lack of segregation of duties exists in the County Clerk's office because one deputy enrolls new employees, reviews the payroll claims, calculates amounts to be paid to the employees and payroll related agencies, updates the master payroll file, issues payroll and prints payroll warrants and removes terminated employees from payroll.

Cause of Condition: Policies and procedures have not been designed to adequately segregate the duties within the payroll department.

Effect of Condition: These conditions could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner.

Recommendation: The Oklahoma State Auditor & Inspector's Office (OSAI) recommends management be aware of these conditions and determine if duties can be properly segregated. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risks involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office, and having management review and approval of accounting functions.

Management Response:

Robin Anderson, County Clerk: These findings occurred prior to me taking office on January 2, 2013 and I was not an employee of the County Clerk's office at that time either. We are striving to implement procedures to ensure there is a segregation of duties in the payroll department.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. Internal controls should be designed to analyze and check accuracy, completeness, and authorization of payroll calculations and/or transactions. To help ensure a proper accounting of funds, the duties of processing, authorizing, and payroll distribution should be segregated.

Finding 2011-2 – Inadequate Internal Controls Over Purchasing and Noncompliance with State Statutes (Repeat Finding)

Condition: Our test of fifty purchase orders reflected the following:

- Purchase order #108712 was encumbered after the invoice date and purchase order #103782 was encumbered after the order date on the invoice.

**ROGERS COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

- One purchase order could not be located.

<u>P.O. Number</u>	<u>Vendor</u>	<u>Amount</u>
104651	R.W.D. #2	\$37,780.00

Cause of Condition: The County is not following established purchasing procedures.

Effect of Condition: These conditions resulted in noncompliance with state statutes and could result in unrecorded transactions, undetected errors, and misappropriation of funds, inaccurate records, and incomplete information.

Recommendation: OSAI recommends the County implement procedures to ensure compliance with purchasing statutes. In addition, we recommend all purchases be properly requisitioned, encumbered, approved, received with proper supporting documentation attached, and retained by the County Clerk in accordance with state statutes.

Management Response:

Robin Anderson, County Clerk: These findings occurred prior to me taking office on January 2, 2013 and I was not an employee of the County Clerk's office at that time, either. We are striving to communicate more effectively with each department the importance of encumbering purchase orders correctly. Purchase order #104651 that was not located was probably misplaced somewhere during the move to the new courthouse.

Criteria: Statutory control procedures have been established for the requisition, purchase, lease-purchase, rental, and receipt of supplies, materials, and equipment for maintenance, operation, and capital expenditures of county government.

Title 19 O.S. § 1505.C.2 states:

The county clerk shall then encumber the amount stated on the purchase order and assign a sequential number to the purchase order.

Title 19 O.S. § 1505.C.3 states in part:

...In instances where it is impossible to ascertain the exact amount of the indebtedness sought to be incurred at the time of recording the encumbrance, an estimated amount may be used. No purchase order shall be valid unless signed by the county purchasing agent and certified by the county clerk.

Finding 2011-3 – Inadequate Segregation of Duties Over the Collections Process - County Treasurer (Repeat Finding)

Condition: A lack of segregation of duties exists in the County Treasurer's office because one person is responsible for posting to the general ledger, and reconciling the general bank account. Upon visual verification, we determined there was no notation of the bank reconciliation being reviewed by someone

**ROGERS COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

other than the preparer. Furthermore, we noted that two other employees in the Treasurer's office have control of the Treasurer's signature stamp.

Cause of Condition: Management has not implemented procedures to separate key functions and processes among various employees in the office or to have levels of review over the processes performed. Procedures have not been designed to ensure signature stamps are used only by the owner.

Effect of Condition: A single person having responsibility for more than one area of recording, authorization, custody of assets, and execution of transactions or access to the official's signature stamp could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner. By not having reconciliations reviewed and approved by someone other than the preparer, the risk of unrecorded transactions, misstated financial reports, undetected errors, or misappropriation of funds increases.

Recommendation: OSAI recommends that a system of internal controls be implemented to provide reasonable assurance that duties are adequately separated. The duties of receipting, depositing, and maintaining ledgers/reconciliations should be segregated. If duties cannot be properly segregated, procedures should be designed to mitigate risks such as monitoring and review of processes. OSAI recommends management take steps to ensure that reconciliations are reviewed and approved by someone other than the preparer. Furthermore, OSAI recommends that signature stamps only be used by the official. Officials who utilize signature stamps should ensure that signature stamps are adequately safeguarded from unauthorized use.

Management Response:

Cathy Pinkerton-Baker, County Treasurer: Segregation of duties in my office has been maintained to the best of my ability for the number of employees. Posting to daily reports in my opinion only requires one person at a time. I have cross training in my office and those duties are performed when that person is out of the office. Each person who balances has someone that checks their work. I have designated workers that perform particular jobs and are very good at it. I have been in office over twenty years and I oversee that work is performed and errors are held to a minimum. Each person in this office oversees other peoples work to maintain accuracy.

Auditor Response: The duties regarding the collections process are not adequately segregated.

Criteria: Safeguarding controls are an aspect of internal controls. Safeguarding controls relate to the prevention or timely detection of unauthorized transactions and unauthorized access to assets. Failure to perform tasks that are part of internal controls, such as reconciliations not prepared or timely prepared, are deficiencies in internal control. Further, reconciliations should be performed on a monthly basis.

Finding 2011-4 - Inadequate County-Wide Controls (Repeat Finding)

Condition: County-wide controls regarding Risk Management and Monitoring have not been designed.

**ROGERS COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Cause of Condition: Procedures have not been designed to address risks of the County.

Effect of Condition: This condition could result in unrecorded transactions, undetected errors, or misappropriation of funds.

Recommendation: OSAI recommends that the County design procedures to identify and address risks. OSAI also recommends that the County design monitoring procedures to assess the quality of performance over time. These procedures should be written policies and procedures and could be included in the County's policies and procedures handbook.

Examples of risks and procedures to address risk management:

Risks	Procedures
Fraudulent activity	Segregation of duties
Information lost to computer crashes	Daily backups of information
Noncompliance with laws	Attend workshops
Natural disasters	Written disaster recovery plans
New employee errors	Training, attending workshops, monitoring

Examples of activities and procedures to address monitoring:

Monitoring	Procedures
Communication between officers	Periodic meetings to address items that should be included in the handbook and to determine if the County is meeting its goals and objectives.
Annual Financial Statement	Review the financial statement of the County for accuracy and completeness.
Schedule of Expenditures of Federal Awards (SEFA)	Review the SEFA of the County for accuracy and to determine all federal awards are presented.
Audit findings	Determine audit findings are corrected.
Financial status	Periodically review budgeted amounts to actual amounts and resolve unexplained variances.
Policies and procedures	Ensure employees understand expectations in meeting the goals of the County.
Following up on complaints	Determine source of complaint and course of action for resolution.
Estimate of needs	Work together to ensure this financial document is accurate and complete.

Management Response:

Dan DeLozier, District 1 County Commissioner, Chairman: Rogers County will develop procedures to identify and address possible risks. The County will also design monitoring procedures to assess the quality of performance over time. These procedures will be written and included as a part of the County's

**ROGERS COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

policy and procedures handbook. Quarterly meetings will be scheduled with all departments for monitoring issues in all areas.

Criteria: Internal control is an integral component of an organization's management that provides reasonable assurance that the objectives of effectiveness and efficiency of operations, reliability of financial reporting and compliance with laws and regulations are being made. Internal control comprises the plans, methods, and procedures used to meet missions, goals, and objectives. Internal control also serves as the first line of defense in safeguarding assets and preventing and detecting errors and fraud. County management is responsible for designing a county-wide internal control system comprised of Risk Assessment and Monitoring for the achievement of these goals.

Risk Assessment is a component of internal control which should provide for an assessment of the risks the County faces from both internal and external sources. Once risks have been identified, they should be analyzed for their possible effect. Management then has to formulate an approach for risk management and decide upon the internal control activities required to mitigate those risks and achieve the internal control objectives.

Monitoring is a component of internal control which should assess the quality of performance over time and ensure that the findings of audits and other reviews are promptly resolved. Ongoing monitoring occurs during normal operations and includes regular management and supervisory activities, comparisons, reconciliations, and other actions people take in performing their duties. It includes ensuring that management know their responsibilities for internal control and the need to make control monitoring part of their regular operating process.

Finding 2011-5 - Disaster Recovery Plan and Computer Usage (Repeat Finding)

Condition: Upon inquiry, the following offices do not have a Disaster Recovery Plan:

- County Treasurer
- County Sheriff

In the County Treasurer's office, users do not always log off when they leave their computer unattended, passwords are not required to be changed unless forgotten or compromised. The policy and procedures manual does not detail the duties to be performed on the computers.

Cause of Condition: Policies and procedures have not been designed to develop and implement a Disaster Recovery Plan and policies and security for the appropriate use of county computer equipment.

Effect of Condition: The failure to have a formal Disaster Recovery Plan could result in the County being unable to function in the event of a disaster. The lack of a formal plan could cause significant problems in ensuring County business could continue uninterrupted. By not locking computers after periods of inactivity, computers may be exposed to unauthorized access, and the opportunities for misuse of county assets may be increased.

**ROGERS COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Recommendation: OSAI recommends the County develop a current Disaster Recovery Plan that addresses how critical information and systems within their offices would be restored in the event of a disaster. It should be stored off-site to ensure the safekeeping and integrity of the County's data. OSAI also recommends that passwords are changed periodically and that computers are set to log out after a certain period of inactivity.

Management Response:

Dan DeLozier, District 1 County Commissioner, Chairman: The Chairman of the Board of County Commissioners will work with all officers to develop a uniform Disaster Recovery Plan.

Cathy Pinkerton-Baker, County Treasurer: As of July 23, 2013, the Rogers County Treasurer's Office has implemented a Disaster Recovery Plan.

Jon Sappington, Undersheriff: We currently have a back-up server that we regularly back-up our storage and data. The problem is that it is located in the same building. Since receiving your report I have contacted our software vendor to attempt to get a quote to back-up our data off-site. I have also received a copy of the other county offices Disaster Recovery Plan and I am currently working on writing one up for the Sheriff's office.

Criteria: An important aspect of internal controls is the safeguarding of assets which includes adequate Disaster Recovery Plans. Internal controls over safeguarding of assets constitute a process, affected by an entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention in a County being unable to function in the event of a disaster.

According to the standards of the Information Systems Audit and Control Association (CobiT Delivery and Support 4) information services function, management should ensure that a written disaster recovery plan is documented and contains the following:

- Guidelines on how to use the recovery plan;
- Emergency procedures to ensure the safety of all affected staff members;
- Roles and responsibilities of information services function, vendors providing recovery services, users of services and support administrative personnel;
- Listing of systems requiring alternatives (hardware, peripherals, software);
- Listing of highest to lowest priority applications, required recovery times and expected performance norms;
- Various recovery scenarios from minor to loss of total capability and response to each in sufficient detail for step by step execution;
- Training and/or awareness of individual and group roles in continuing plan;
- Listing of contracted service providers;
- Logistical information on location of key resources, including back-up site for recovery operating system, applications, data files, operating manuals, and program/system/user documentation;
- Current names, addresses, telephone numbers of key personnel;
- Business resumption alternatives for all users for establishing alternative work locations once IT services are available.

**ROGERS COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Finding 2011-6 - Inadequate Internal Controls Over Pledged Collateral (Repeat Finding)

Condition: The County's bookkeeper monitors daily bank balances to amounts of pledged collateral; however, there was no documentation provided to verify this was being done.

Cause of Condition: Procedures have not been designed to ensure daily bank deposits are adequately secured.

Effect of Condition: Failure to monitor pledged collateral amounts could result in unsecured county funds and possible loss of county funds.

Recommendation: OSAI recommends that the County design procedures to daily compare bank balances to the pledged collateral ledgers to ensure that county funds are adequately secured against loss by a financial institution. Documentation for this daily procedure should be maintained.

Management Response:

Cathy Pinkerton-Baker, County Treasurer: The Deputy Treasurer in the County Treasurer's office looks at the bank balance for each day and makes sure we are not over. We get an end of month report from the bank and that is when the market valuation is done by the banks custodians. By checking our bank account every day, this was also checking on our pledges every day. We will implement keeping a spreadsheet to show that bank balances are checked on a daily basis to ensure deposits are adequately secured.

Criteria: Effective internal controls require that monitoring processes be documented.

Title 62 O.S. § 517.4 (A) states, "A treasurer of a public entity shall require that financial institutions deposit collateral securities or instruments to secure the deposits of the public entity in each such institution. The amount of collateral securities or instruments to be pledged for the security of public deposits shall be established by the treasurer of the public entity consistent with the provisions of the Security for Local Public Deposits Act; provided, such amount shall not be less than the amount of the deposit to be secured, less the amount insured."

Finding 2011-16 – Overcharges and Fictitious Invoice Submitted for Federal Reimbursement

Condition: District 2 submitted the following for reimbursement from Oklahoma Emergency Management (OEM) for expenditures related to a FEMA project:

- \$36,476.78 represented an apparent fictitious invoice submitted for reimbursement from OEM for various projects resulting in an overpayment of federal funds to the County;
- \$258,018.09 included invoices that were submitted twice for reimbursement from OEM resulting in an overpayment of federal funds to the County;

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- \$25,853.08 included reimbursement for ‘estimated costs’ that exceed the actual amounts paid to vendors resulting in an overpayment of federal funds to the County;
- \$3,320.27 included project expenses that were submitted twice for reimbursement from OEM resulting in an overpayment of federal funds to the County.

Regarding the apparent fictitious invoice of \$36,476.78, District 2 utilized this document in its FEMA expenditure claim instead of the legitimate invoice for which the county was seeking reimbursement. OSAI contacted the vendor who confirmed this likely fabricated invoice did not exist in its records and the invoice number was out of sequence. Further, OSAI identified \$3,948.20 in purported costs was also claimed on another invoice submitted for reimbursement (this amount is reflected in the \$258,017.59 above).

The \$258,017.59 of expenses included identical expenditures claimed on two different projects and erroneously claimed reimbursement for both the estimated cost and the actual invoiced amount. For example, an estimated cost of \$80,256 was submitted for reimbursement, in addition to the legitimate invoiced amount of \$69,953.12, which the County had actually paid. In this specific example, District 2 claimed and falsely obtained \$80,256 in reimbursement of federal funds for an expenditure it did not incur.

Regarding the \$25,853.08 referenced above, District 2 submitted to OEM representatives the estimated cost information provided by the vendor resulting in an overpayment on the project when the final invoice came in below the estimate. For example, an overpayment of \$11,074.92 occurred when the County submitted a project’s cost estimate for reimbursement in the amount of \$86,264. The vendor’s final invoice totaled only \$69,953.12 resulting in payment of federal funds to which District 2 was not entitled.

Cause of Condition: Documentation submitted to Oklahoma Emergency Management resulted in the inflated figures for the total amount of reimbursement due to District 2 for a FEMA project.

Effect of Condition: These conditions resulted in noncompliance with the Federal Matching requirement and documentation of expenditures. Additionally, these conditions resulted in inaccurate documentation, including an apparent fictitious invoice being submitted to OEM to obtain reimbursement(s) for work that had not been performed and for which costs had not been incurred by District 2.

Recommendation: OSAI recommends the County contact OEM and FEMA representatives to determine possible action regarding remediation of the apparently falsified and possibly fraudulent documents. OSAI further recommends the County implement policies and procedures for the accurate submission and ethical reporting of federal expenditures including documenting its compliance with grant requirements. The County should acquire the necessary training to understand federal compliance requirements and convey the importance of ethical behavior to all personnel.

Management Response:

Dan DeLozier, District 1 County Commissioner, Chairman: These actions involved District 2 Commissioner, Mike Helm and his staff without the knowledge of the District 1 Commissioner. Rogers

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County will implement procedures to ensure there are safeguards in place to prevent this occurrence from ever happening again.

Mike Helm, District 2 County Commissioner: Chose not to respond.

Kirt Thacker, District 3 County Commissioner: The BOCC as a whole was unaware of this. When brought to my attention, Commissioner DeLozier and I took over District 2 Commissioner, Mike Helm's finances.

Robin Anderson, County Clerk: My role in the FEMA process was to document what was presented to me by the Commissioner and the road employees. I worked with what was presented to me. Any paperwork performed by me was completed per the Commissioner's request. All invoices were presented to me to pass on to the Oklahoma Emergency Management's representatives at the time of closeout. If the Oklahoma Emergency Management representatives had questions about anything, we asked the Commissioner. Sometimes we had to contact the vendor if we had questions. I had nothing to do with the invoices except to pass them on to the Oklahoma Emergency Management representatives.

Criteria: OMB Circular A-87 C.1.j. states:

1. Factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria:
- j. Be adequately documented.

OMB A-133, Subpart C, §__.300 reads as follows:

Subpart C—Auditees

§__.300 Auditee responsibilities.

The auditee shall:

- (a) Identify, in its accounts, all Federal awards received and expended and the Federal programs under which they are received. Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

Finding 2011-17 – Questioned Costs Related to Federal FEMA Funds

Condition: OSAI tested all documentation available pertaining to expenditures reimbursed with federal funds for Project Worksheet 937 for Disaster 1754 and determined that \$5,524,225.35 was not sufficiently documented with supporting documentation due to lack of documentation, invoices submitted for reimbursement twice, and incorrect charges related to equipment and force-account labor.

- \$36,476.78 represented a fictitious invoice that was submitted for reimbursement from OEM for various projects;
- \$258,017.59 included invoices that were submitted twice for reimbursement from OEM;

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- \$25,853.08 included ‘estimates’ submitted for reimbursement in excess of actual amounts paid to vendors;
- \$3,320.27 included project expenses that were submitted twice for reimbursement from OEM.
- \$107,451.85 of expenditures could not be substantiated due to a lack of supporting documentation, discrepancies between payroll and project records, and discrepancies with the equipment rates charged;
- \$5,255,833.98 of expenditures were claimed for road construction without adequate documentation including detailed invoices, bills of lading, and verification by county personnel as to the quantities of materials used and services rendered on a daily basis;
- \$72,306 of expenditures were claimed to FEMA equipment code 8333 at the hourly rate of \$78. Neither this code number nor the hourly amount existed in the FEMA “2008 Schedule of Equipment Rates,” which should have been used for all equipment usage of this project.
 - OSAI noted instances of rates being used and claimed from the 2005, 2008, and 2010 “Schedule of Equipment Rates,” rather from the relevant 2008 schedule.

Cause of Condition: Documentation submitted to Oklahoma Emergency Management resulted in the inflated costs submitted for the total amount of reimbursement due to District 2 for a FEMA project.

Effect of Condition: These conditions resulted in noncompliance with the Federal Matching requirement and documentation of expenditures. Additionally, these conditions resulted in inaccurate documentation, including an apparent fictitious invoice being submitted to OEM to obtain reimbursement(s) for work that had not been performed and for which costs had not been incurred by District 2.

Recommendation: OSAI recommends the County contact Oklahoma Emergency Management and FEMA representatives to determine any actions necessary regarding the questioned costs of this project. OSAI further recommends the County implement policies and procedures for the accurate and ethical reporting of federal expenditures and documentation of compliance with grant requirements. The County should acquire the necessary training to understand federal compliance requirements and convey the importance of accurate reporting of federal funds.

Management Response:

Dan DeLozier, District 1 County Commissioner, Chairman: These actions were all performed by District 2 Commissioner, Mike Helm and his staff. Rogers County will work with OSAI to implement safeguards to prevent this situation from ever happening again.

Mike Helm, District 2 County Commissioner: Chose not to respond.

Kirt Thacker, District 3 County Commissioner: The BOCC as a whole was unaware of this. When brought to my attention, Commissioner DeLozier and I took over District 2 Commissioner, Mike Helm’s finances.

Robin Anderson, County Clerk: My role in the FEMA process was to document what was presented to me by the Commissioner and the road employees. All the paperwork was reviewed and approved by the

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Oklahoma Emergency Management before they left our office at closeout time, including the cost codes which they assisted with. They always reported the paperwork looked good.

Criteria: OMB Circular A-87 C.1.j. states:

1. Factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria:
- j. Be adequately documented.

OMB A-133, Subpart C, § ___.300 reads as follows:

Subpart C—Auditees

§ ___.300 Auditee responsibilities.

The auditee shall:

- (a) Identify, in its accounts, all Federal awards received and expended and the Federal programs under which they are received. Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

Finding 2011-18 – Advance of FEMA Funds for Equipment Lease-Purchased

Condition: Funds in the amount of \$1,778,945.04 were reimbursed to the County for equipment purchases related to the FEMA project. The County financed \$666,343.04 of this amount through lease-purchases. This amount was claimed as a cost and reimbursed with federal funds; however, the County had not incurred the cost at the time of reimbursement. This amount of \$666,343.04 was held by the District and presumably used for operating expenses. The County paid the balances of the lease-purchase agreements between 4-13 months after receiving the funds from FEMA reimbursements.

The table below depicts the three equipment items that comprise the \$666,343.04 and how they were depicted as FEMA expenditures for reimbursement even though a portion of the costs were lease-purchased by the County.

<i>Equipment</i>	<i>Equipment Cost</i>	<i>County PO Date Down Payment</i>	<i>County PO Amount Down Payment</i>	<i>Amount Claimed on 3/29/12*</i>	<i>Amount Claimed on 7/12/12**</i>	<i>Amount Reimbursed on 4/26/12</i>	<i>Amount Reimbursed on 8/7/12</i>	<i>Date Lease Agreement Paid Off</i>	<i># Months After Claimed To FEMA</i>
asphalt roller	137,340.00	3/26/2012	50,000.00	137,340.00		137,340.00		11/19/2012	8
drilling rig	583,910.04	3/12/2012	250,000.00	250,000.00	333,910.04	250,000.00	333,910.04	8/6/2013	13
asphalt paver	395,093.00	3/12/2012	150,000.00		395,093.00		395,093.00	11/19/2012	4

Note: *Depicts the amount claimed on partial closeout 1 conducted by OEM on 3/29/12.

** Depicts the amount claimed on partial closeout 2 conducted by OEM on 7/12/12.

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Cause of Condition: The District requested reimbursement for FEMA related expenditures prior to the County incurring the cost.

Effect of Condition: The County did not comply with the grant requirements for documenting allowable costs for reimbursements. Further, advanced funds were held for an extended period of time which resulted in noncompliance with cash management requirements.

Recommendation: OSAI recommends the County implement procedures for the accurate reporting of FEMA expenditures for reimbursement. Only costs incurred by the County should be requested as reimbursement, not amounts that are part of a financing arrangement. Further, OSAI recommends that the County implement procedures to limit the amount of time federal funds are held prior to making expenditures to ensure compliance with the cash management requirements of OMB Circular A-133.

Management Response:

Dan DeLozier, District 1 County Commissioner, Chairman: These actions involved District 2 Commissioner, Mike Helm and his staff. Rogers County will work with OSAI to implement proper procedures to monitor future FEMA funds.

Mike Helm, District 2 County Commissioner: Chose not to respond.

Kirt Thacker, District 3 County Commissioner: The BOCC as a whole was unaware of this. When brought to my attention, Commissioner DeLozier and I took over District 2 Commissioner, Mike Helm's finances.

Criteria: OMB Circular A-133 subpart C § 300(b) states, "The auditee shall maintain internal control over Federal programs that provide reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs." Such internal controls would consist of ensuring expenditures are claimed only for allowable costs that have been incurred completely.

Subpart B of 31 CFR § 205.33(a) states, "A State must minimize the time between the drawdown of Federal funds from the Federal government and their disbursement for Federal program purposes. A Federal Program Agency must limit a funds transfer to a State to the minimum amounts needed by the State and must time the disbursement to be in accord with the actual, immediate cash requirements of the State in carrying out a Federal assistance program or project. The timing and amount of funds transfers must be as close as is administratively feasible to a State's actual cash outlay for direct program costs and the proportionate share of any allowable indirect costs."

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Finding 2011-19 – Apparent Waste of Federal Funds – Lowest Price Not Sought in Purchase of Drill Rig

Condition: The County purportedly solicited bids on July 19, 2011, for a track-mounted drill rig. The equipment was to be purchased with FEMA funds as part of a FEMA project. Based on our review of County documents and interviews conducted, it appears the County did not exhaust all efforts to locate the lowest, best price for this piece of equipment.

In our review of this purchase, OSAI learned that the vendor purchased the track-mounted drill rig for \$510,000 from the distributor who initially purchased the drill rig at a cost of \$450,000.

According to an employee of the distributor, his company would have sold the drill rig directly to the County, but was reportedly told by someone with the vendor that the County only did business with them. The County purchased the drill rig from the vendor at a cost of \$583,910.04. It is our understanding that, despite having been purchased two and a-half years previously, the drill rig has yet to be used by the County.

The County published the bid in the local newspaper with limited circulation. This specific piece of equipment is unique in that there is only one distributor located in Oklahoma. The County appears to have utilized the service of a middle man in the purchase of the drill rig as opposed to contacting the distributor directly or notifying the distributor of its solicitation of bids.

Of additional concern is the vendor's apparent prior knowledge that the County planned to purchase the drill rig. The County requested assistance from this vendor to estimate the cost of the rig prior to approval of the alternate FEMA project. The FEMA project worksheet stated, "Equipment quotes are based on new purchase machine costs provided by this vendor."

Cause of Condition: The County does not appear to have effectively, competitively bid the drill rig nor did it obtain the lowest, best price for the equipment. It appears the County only sought the 'best price' from a familiar vendor. OSAI contacted the distributor and confirmed that the equipment could have been purchased directly from the Oklahoma distributor at a cost lower than the purchase price from the vendor.

Effect of Condition: The County paid approximately \$73,910 more for the equipment than it would have cost if the County had accurately, competitively bid the drill rig or properly researched the item prior to its purchase.

Recommendation: OSAI recommends that the County research items that are to be purchased and utilize all resources in obtaining the lowest, best price for the County.

Management Response:

Dan DeLozier, District 1 County Commissioner, Chairman: District 1 Commissioner voted not to purchase this piece of equipment. As chairman of the Board of County Commissioners this year I will work diligently on a policy to prevent this occurrence from ever happening again.

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Mike Helm, District 2 County Commissioner: Chose not to respond.

Criteria: Best business practices would include ensuring that large dollar amount equipment purchases be researched in order to obtain the best price for the taxpayers of the County.

Finding 2011-20 – Acceptance of Bids Does Not Appear To Comply with State Statutes

Condition: The Board of County Commissioners (BOCC) solicits bids for most commonly used goods and/or services while its process of accepting bids does not appear to comply with state statutes.

When counties purchase “needed or commonly used supplies, materials, [or] equipment,” 19 O.S. § 1505(B) requires the counties to solicit bids, compare them to the state contract price for the items, and select “the lowest and best bid based upon, if applicable, the availability of material and transportation cost to the job site within 30 days,” specifying the reason “any time the lowest bid was not considered to be the lowest and best bid.”

After bids are published in the newspaper and sealed bids are opened in a public meeting, Rogers County BOCC engages in a regular practice of accepting *all* bids based on “first available and closest to the location” as opposed to “lowest and best” as specified in statute. The result is that no vendor is identified as the lowest bidder. When testing expenditures on items that required a bid, no documentation was maintained to indicate vendors were contacted to determine availability to provide goods or services.

Further, it should be noted that when a vendor submits a bid it is locking in the price for a specified period of time. The transportation costs should be evaluated when the bids are opened and the lowest and best bid should be selected. Identifying which vendor is closest does not impact the bid price for items bid on a per-unit basis that includes the delivery cost.

After reviewing the minutes of the Board of County Commissioners, OSAI could not determine that bids were awarded to the lowest and best bidder for commonly used goods and/or services.

Cause of Condition: The County did not comply with 19 O.S. § 1505(B) which requires that it award a bid to the lowest and best bidder. According to the minutes of the BOCC, the amount of a bid was not considered a factor in determining how to award bids for goods and/or services.

Effect of Condition: These conditions resulted in noncompliance with state statutes regarding the awarding of bids. There was no evidence that the County tried to obtain the best price for materials purchased.

Recommendation: OSAI recommends that the County thoroughly review bids and determine which vendor is the lowest and best bidder. The successful bidder should be clearly documented in the minutes. If the successful bidder was not the lowest bidder, the reasons for not awarding the bid to the lowest and best bidder should be clearly documented in the minutes.

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Management Response:

Dan DeLozier, District 1 County Commissioner, Chairman: District 1 makes every attempt to utilize the lowest bid and will implement procedures to document when the lowest bid is not used, due to transportation costs or availability.

Mike Helm, District 2 County Commissioner: Chose not to respond.

Kirt Thacker, District 3 County Commissioner: I believe that closest and first available was equivalent to lowest and best. Documentation of decisions is best practice and will be implemented. Verbiage will be changed from closest and first available to lowest and best bid.

Criteria: Best business practices would include soliciting bids from vendors with the goal of obtaining quality goods and/or services for the best price.

Title 19 O.S. § 1505(B) requires the counties to solicit bids, compare them to the state contract price for the items, and select “the lowest and best bid based upon, if applicable, the availability of material and transportation cost to the job site within 30 days,” specifying the reason “any time the lowest bid was not considered to be the lowest and best bid.”

Finding 2011-21 – Bid-Restricting – Preference Shown to Vendor

Condition: During the audit period, the BOCC solicited bids for “ChipLock” which is a trade name for a chip-seal product manufactured by a construction company located in Clever, Missouri. The company claims they exclusively manufacture and install this particular product.

Bid restricting is defined as narrowly writing bid specifications so as to solicit goods and/or services in a restrictive manner that includes a specific brand or a specific item that could only be supplied by one bidder. For example, specifications may require a contractor to submit a bid for a product with a name manufactured by a particular company. The intent is to create a sole source circumstance in order to exclude bidders of comparable products or materials.

During the audit period, the BOCC solicited bids for the specific product identified as ChipLock. By soliciting for a specific brand of material, the BOCC effectively restricted other vendors (competitors) from submitting bids. This practice stifles competitive bidding. Upon discussions with the Oklahoma Department of Transportation, it was determined that ChipLock is not considered a unique product and other similar products exist that would be considered equivalent.

On April 22, 2010, the company wrote a letter to the BOCC requesting that they be awarded sole-source status for its product, ChipLock, and MAQS-Micro-Surfacing. On May 10, 2010, the BOCC passed the motion to accept the bids from the company for ChipLock and Micro-surfacing “as the sole-source for this particular product.” Despite awarding sole-source status to the product, the BOCC continued to solicit bids for the company’s name brand product ChipLock. Consequently, no other vendors submitted bids for ChipLock although other vendors did submit bids for Micro-surfacing and the Board considered

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all bids. Regardless, Micro-surfacing was predominately requisitioned from this company who was also consistently the highest bidder.

Other items noted related to showing preference to this vendor:

- This company did not submit a bid for road striping but was apparently permitted to perform striping on some road projects despite the County having awarded the bid on the striping project to a different company. The County paid this company without officially authorizing or awarding the striping portion of the road project to that company.
- During the period of July 1, 2010 through June 30, 2013, the County paid this company \$7,790,015.84 for various projects.
- During the period of July 1, 2013 through February 21, 2014, the County paid this company an additional \$295,595.72 for work performed.
- This company and its parent company each contributed \$1,000 to the re-election campaign for District 2 Commissioner for a total of \$2,000. This company is a corporation and according to state law, corporations are not allowed to contribute to campaigns. Further, \$1,000 is the maximum amount allowed by law for campaign contributions to a county official.
- District 2 Commissioner purportedly negotiated a lower amount for work performed by this company after accepting the higher bid on a project in which the company was not the lowest bidder. OSAI was unable to verify many of the company's invoices to bid amounts, due to negotiated amounts other than the official bid amount for this vendor.
- District 2 Commissioner apparently failed to maintain any supporting documentation other than invoices for the amounts billed by the company. The invoices retained were vague as to both the location and actual work performed. District 2 retained no bills of lading or records of daily quantities to support the invoiced amounts. OSAI contacted this company numerous times in an attempt to obtain additional documentation in support of submitted invoices, but the company refused to provide additional documentation.
- A non-collusion affidavit submitted by this company's employee was notarized by the District 2 secretary.
- On August 10, 2011, a representative of this company emailed Robin Anderson (Current Rogers County Clerk) the bid specifications for micro-surfacing which were then apparently used for bid solicitation purposes.

Cause of Condition: The Board circumvented the bidding process by soliciting bids for a brand name product.

Effect of Condition: The County did not comply with bid procedures outlined in state statutes.

Recommendation: OSAI recommends that the County research items that are to be purchased and make every effort to obtain the best price for the County. Bids should be solicited for a product, not a brand-name product specific to a single vendor. The County should follow purchasing procedures outlined in state statutes and refrain from conducting business in any manner that suggests preferential treatment for one vendor at the exclusion of all other vendors with similar products or materials.

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Management Response:

Dan DeLozier, District 1 County Commissioner, Chairman: District 1 follows all OSAI guidelines when constructing bid documents, giving equal opportunity to all vendors. Rogers County will institute a policy to review all bids and any item requesting to be labeled “sole source” will only be granted after close scrutiny.

Mike Helm, District 2 County Commissioner: Chose not to respond.

Kirt Thacker, District 3 County Commissioner: “The Board,” did not circumvent the bid process; District 2 Commissioner circumvented the bid process.

Criteria: Best business practices would include following the competitive bidding process to ensure the taxpayers of the County receive the best value for their tax dollars.

Further, 19 O.S. § 1505(B) requires the counties to solicit bids, compare them to the state contract price for the items, and select “the lowest and best bid based upon, if applicable, the availability of material and transportation cost to the job site within 30 days,” specifying the reason “any time the lowest bid was not considered to be the lowest and best bid.”

Article 9 § 40 of the Oklahoma Constitution states, “No corporation organized or doing business in this State from influencing elections or official duty by contributions of money or anything of value.” Oklahoma’s campaign-finance laws prohibit:

- Any corporation from making “a contribution or expenditure to, or for the benefit of, a candidate [...] in connection with an election”
- One “person or family” from contributing more than \$1,000 to a candidate for county office in any county other than Oklahoma, Tulsa, or Cleveland counties
- Contributions from being made “through an intermediary or conduit for the purpose of [...] exceeding the contribution limitations”
- Candidates from “knowingly” accepting contributions in violation of the laws

Finding 2011-22 – No Verification of Road Construction/Materials Documented – Noncompliance with Purchasing Procedures Required by State Statute and Federal Compliance Requirements

Condition: During the period of July 1, 2010 through March 1, 2014, District 2 contracted with a general contractor for the purpose of providing road construction services and materials to the County in relation to FEMA funded projects. The work was performed prior to District 2 preparing a requisition for a purchase order. District records include an invoice dated after the work was completed, a receiving report executed and dated by the barn secretary to reflect the date of the invoice, and a purchase order requisitioned after the fact to initiate payment of the vendor. The funds were not encumbered prior to the beginning of the project.

District 2 provided no documentation to reflect the dates in which construction was performed by the general contractor. There were numerous purchase orders with dollar amounts ranging from \$6,000 to

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\$2.5 million. The supporting documentation that was available did not reflect the dates that work was performed; rather only the invoice date. District 2 Commissioner apparently failed to maintain any supporting documentation other than invoices for the amounts billed by the general contractor. The invoices retained were vague as to both the location and actual work performed. District 2 retained no bills of lading or records of daily quantities to support the invoiced amounts. OSAI contacted the general contractor numerous times in an effort to obtain additional documentation in support of submitted invoices but the company refused to provide additional documentation.

The Oklahoma Constitution prohibits indebting the County beyond the current fiscal year. The District 2 Commissioner, Mike Helm, failed to ensure that funds were available prior to commencing construction, because funds were not encumbered and set aside to ensure that expenditures did not exceed amounts available to spend.

During a BOCC meeting dated October 22, 2012, the BOCC voted to suspend District 2 Commissioner's ability to requisition funds prior to contacting the Board. This action reportedly resulted from District 2 entering into agreements for road construction without first ensuring funds were available.

Further, because the barn secretary was dating the receiving report the same date reflected on the general contractor's invoices, there was no assurance that quantities billed by the general contractor were in fact what the County received. The work performed each day by the general contractor should have been documented by County personnel and compared to documentation submitted by the general contractor for payment to ensure that the County was only paying for work which had been performed.

Cause of Condition: The County failed to follow purchasing procedures outlined in state statutes. Internal controls were not designed and implemented to ensure that invoices billed to the County for road construction and materials were accurate and that the County properly received these goods/services.

Effect of Condition: These conditions resulted in accruing liabilities on behalf of the County without ensuring funds were available to meet the obligations. Further, because no one verified daily quantities of road construction materials and services provided, these conditions possibly resulted in the County paying for goods/services the County did not receive.

Recommendation: OSAI recommends that the County take measures to ensure payment for materials and services are accurately documented with detailed invoices, bills of lading, and evidence that county personnel verified the quantities of road construction materials and services on a daily basis.

Management Response:

Dan DeLozier, District 1 County Commissioner, Chairman: District 1's policy is to make certain all funds are properly encumbered prior to the services or items delivered.

Rogers County Commissioners in District 1 and 3 suspended the ability of District 2 Commissioner, Mike Helm to requisition funds, in an attempt to ensure that state statutes were followed and adequate funds were available.

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Mike Helm, District 2 County Commissioner: Chose not to respond.

Kirt Thacker, District 3 County Commissioner: The BOCC as a whole was unaware of this. When brought to my attention, Commissioner DeLozier and I took over District 2 Commissioner, Mike Helm's finances.

Criteria: Federal OMB Circular A-133 requires grantees to implement internal controls over the expenditure of federal funds to ensure compliance with grant requirements. Regarding the procurement of goods/services, a grantee is required to implement procedures to ensure accurate documentation is available to support expenditures. This would include ensuring quantities invoiced by a vendor are accurate and are reconciled to amounts documented as received on a daily basis.

Further, 19 O.S. § 1505E outlines procedures required for the receiving agent to properly document expenditures of the County. This statute states in part:

The procedure for the receipt of items shall be as follows:

1. A receiving officer for the requesting department shall be responsible for receiving all items delivered to that department;
2. Upon the delivery of an item, the receiving officer shall determine if a purchase order exists for the item being delivered;
3. If no such purchase order has been provided, the receiving officer shall refuse delivery of the item;
4. If a purchase order is on file, the receiving officer shall obtain a delivery ticket, bill of lading, or other delivery document and compare it with the purchase order. If any item is back ordered, the back order and estimated date of delivery shall be noted in the receiving report;
5. The receiving officer shall complete a receiving report in quadruplicate which shall state the quantity and quality of goods delivered. The receiving report form shall be prescribed by the State Auditor and Inspector. The person delivering the goods shall acknowledge the delivery by signature, noting the date and time;
6. The receiving officer shall file the original receiving report and submit:
 - a. the original purchase order and a copy of the receiving report to the county purchasing agent, and
 - b. a copy of the receiving report with the delivery documentation to the county clerk;

Finding 2011-23 – Back-Dated Documents Submitted for FEMA Project - Engineering Services Not Competitively Considered

Condition: When expending federal FEMA funds, a grantee is required to competitively consider the most qualified engineer.

Based on email correspondence between District 2 Commissioner Mike Helm, District 2 Secretary Robin Anderson (currently the Rogers County Clerk), and a local engineer, it was determined that documents

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were back-dated to make documentation appear as if the engineering services for a FEMA project were competitively considered.

While reviewing correspondence between Oklahoma Emergency Management and District 2, we noted that an email was sent to the District 2 Secretary Robin Anderson (currently the Rogers County Clerk) dated 9/15/09 requesting information for the selection process of the engineer used for the FEMA project. On 11/9/09, OEM correspondence indicated that the information had still not been received and that the documentation must be submitted in order for the County to receive an advance of FEMA funds. On 11/17/09, Anderson replied that the engineer had been selected based on knowledge about the process, the product in the ground, and the environment. She also included the two other firms who had allegedly submitted proposals.

On December 22, 2009, District 2 Commissioner emailed the engineer a copy of an Excel worksheet to be used for rating engineering services.

On December 28, the engineer emailed District 2 Commissioner forms related to the FEMA project and his bid proposal dated December 21, 2009.

On 1/4/10 the engineer forwarded Helm's email which included the Excel worksheet to be used for rating engineering services to Anderson. Anderson apparently printed the forms which automatically printed the date of '1/4/10' at the bottom of the form. The forms were completed by District 2 Commissioner Mike Helm, Robin Anderson, and District 2 Foreman Alan Carter, for rating the engineering firms. The forms were signed and back-dated with the date of '8/27/09' handwritten on the page.

Also, the forms submitted to OEM via email did not list the same three engineers Anderson had reported to OEM in the email dated 11/17/09. The forms listed a different engineering firm. OSAI contacted one of the engineering firms referred to in the 11/17/09 email and on the employees' review forms. The firm stated that they had no record of submitting that bid proposal or being asked for one.

Further, on 1/4/10, the engineer emailed Anderson another copy of his bid proposal back-dated 8/5/09. The original proposal he emailed District 2 Commissioner on 12/28/09 was dated 12/21/09.

It should be noted that the engineer was also selected by the County to perform work on a Keetonville road project prior to the FEMA disaster. After the disaster, his previous work was used on this project.

Cause of Condition: Documentation was falsified to ensure a particular vendor was awarded the engineering project and to ensure the costs would be reimbursed with federal funds.

Effect of Condition: These conditions resulted in noncompliance of the Federal competitive bid procedures and the contracting of engineer services without providing equal opportunity to other firms.

Recommendation: OSAI recommends that the County contact Oklahoma Emergency Management and FEMA to determine any actions necessary regarding the fraudulent documents. OSAI further recommends that the County implement policies and procedures for the accurate and ethical reporting of

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federal expenditures and documentation of compliance with grant requirements. The County should acquire the necessary training to understand federal compliance requirements and convey the importance of ethical behavior to all personnel.

Management Response:

Dan DeLozier, District 1 County Commissioner, Chairman: District 1 Commissioner was unaware of documents being falsified and will utilize every avenue available to prevent this from ever happening again.

Mike Helm, District 2 County Commissioner: Chose not to respond.

Kirt Thacker, District 3 County Commissioner: The BOCC as a whole was unaware of this. When brought to my attention, Commissioner Delozier and I took over District 2 Commissioner, Mike Helm's finances.

Robin Anderson, County Clerk: I was asked to rate the engineers and had filled out a form previously for the selection of engineering services. It was somehow lost or misplaced and I had to fill out another form at a later date. That is why I dated it for the previous date.

Criteria: 44 CRF § 13.36 states in part... 'Grantees and subgrantees may use competitive proposal procedures for qualifications-based procurement of architectural/engineering (A/E) professional services whereby competitors' qualifications are evaluated and the most qualified competitor is selected, subject to negotiation of fair and reasonable compensation. The method, where price is not used as a selection factor, can only be used in procurement of A/E professional services.'

Finding 2011-24 – County Property Used for Personal Use

Condition: The County Treasurer has two mobile phones for her office at a recurring monthly cost of \$106.23. The phone assigned to the Treasurer has a \$40 internet package and \$20 messaging package. The second phone which is assigned to a deputy does not include anything other than basic minutes. We noted that the phone assigned to the Treasurer was used for personal use.

The Treasurer purchased three internet cards for laptops for work performed outside of the office at a cost of \$155.97 per month. After reviewing the monthly statements, it was determined that two of these are rarely, if ever, used. The internet card assigned to the Treasurer is used for personal use and the data usage is exceeded on many months. Specifically, for the period of 4/14/13 to 4/15/13 (Sunday night at 10:48 P.M. through Monday morning at 1:24 A.M.) the Treasurer had data transfer charges totaling \$481.13.

Also, the Treasurer purchased two iPads with data plans totaling \$120 per month. One iPad is currently located in the vault and is not used. The iPad assigned to the Treasurer is used predominantly outside of the Courthouse hours.

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Cause of Condition: Policies and procedures have not been designed and implemented to guard against abuse of County-owned property for personal use.

Effect of Condition: This condition resulted in the abuse of County funds and personal use of County-owned property.

Recommendation: OSAI recommends that expenditures be reviewed by the Board of County Commissioners to protect against abuse of County funds and use of County-owned property for personal use.

Management Response:

Dan DeLozier, District 1 County Commissioner, Chairman: District 1 adheres to all policies and statutes pertaining to the use of County-owned equipment and devices.

Cathy Pinkerton-Baker, County Treasurer: The overcharges occurred on the laptop were an oversight on my part leaving the website open. This was just a one-time error and will not happen again. I apologize for the overcharges but was not aware this had happened. This has been corrected and will not happen again.

Auditor Response: Purchasing and using County-owned equipment for personal use is an abuse of County funds. Mobile phones, iPads, laptops, and internet laptop connects should not be purchased with County funds unless this equipment is used for the sole purpose of county government.

Criteria: Good internal controls require monitoring of expenditures to ensure that County funds are not abused. The County's Handbook states, "No County official or employee may use County property for his or her own use or for any other use not required by or consistent with or in connection with their duties with Rogers County." It further states that County-paid cell phones will not be used for any personal calls (either incoming or outgoing).

Further, guidelines of the Internal Revenue Service require items of this nature to be reported as taxable fringe benefits. To date, these items have not been reported on the Treasurer's W-2.

Finding 2011-25 – Board Approval Not Obtained for Work on Private Property

Condition: We noted the following regarding work performed by the County on private property:

District 3:

- District 3 Commissioner used a County-owned dozer to perform work on a tract of land the Commissioner had personally leased. According to the Commissioner, the work was performed for drainage control. We noted that the work was performed after midnight on 7/1/2011.
- The work was never discussed nor approved in a BOCC meeting.
- The Commissioner did not obtain written legal counsel regarding the work performed on private property.

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- The Board of County Commissioners is required to obtain a written agreement with landowners prior to entering onto their property to clear blockages from creeks/waterways. A written agreement with the landowner was never presented to the Board.
- There were no easements on record for the Commissioner to perform work on this private property.
- The engineer retained by the County wrote a letter with general wording stating that it would be “beneficial in mitigating the scope of the downstream flood damage assessment.”

Cause of Condition: Regarding the dozer work, the District 3 Commissioner acted alone, outside of the Board of County Commissioners approval, to perform work on property personally leased by the Commissioner. The work was performed with a dozer owned by Rogers County.

Effect of Condition: This condition resulted in noncompliance with state statutes regarding acting outside of the Board approval. An easement was not obtained to perform work on private property; therefore, putting the County at risk for liability of errors/accidents that may have occurred during the performance of work. Further, because proper procedures were not followed regarding work on private property, this work could be perceived as having the appearance of personal gain and/or using County-owned property for personal use.

Recommendation: OSAI recommends that the Commissioner refrain from using County-owned equipment and resources to perform work on private property without proper Board approval, without guidance from legal counsel to ensure compliance with state statutes, and without obtaining proper easements.

Management Response:

Dan DeLozier, District 1 County Commissioner, Chairman: District 1 follows all statutes regarding County-owned equipment and private property. District 1 Commissioner will do everything in his power to assure that all departments adhere to the statute as well.

Mike Helm, District 2 County Commissioner: Chose not to respond.

Kirt Thacker, District 3 County Commissioner: When it was brought to my attention, I took immediate action to ensure that any and all projects that are not on the County’s right of way are on the BOCC agenda for discussion and approval.

A better business practice would be to place any and all work to be performed on the agenda and will be implemented in all future projects. A better business practice would have been to obtain written permission from the land owner. Verbal permission in the instance was obtained. I received NOTHING of value or anything else for this work other than “Thank You” from some of the citizens who live on the effected road.

Criteria: Title 69 O.S. § 643.1 states, “The board of county commissioners is authorized to enter onto private property adjoining county roads and to perform work by county employees or by contractors working for the county, on such private property, when:

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1. The available right-of-way does not provide enough space for needed conservation works of improvement to diminish erosion and siltation of the right-of-way;
2. The owner, or owners, of the adjoining property sign a cooperative agreement permitting such works, which agreement shall state the amount of land to be treated, and the works of improvement to be constructed. Any work performed will be restricted solely to that specified in the cooperative agreement;
3. The local Conservation District has approved the proposed works of improvement; and
4. A copy of the cooperative agreement and a statement of approval from the local Conservation District has been filed with the records of the county commissioners in the office of the county clerk and the cooperative agreement and statement from the local Conservation District have become a part of the minutes of the county commissioners' proceedings."

Finding 2011-26 – Public Information Officer Paid From Restricted Highway Funds

Condition: The County paid contract labor for a public information officer in the amount of \$12,000 from the T-Highway Fund.

According to 69 O.S. § 1503(a), a board of county commissioners may expend money in the county-highway fund "on county highways." According to 1996 OK AG 14, county commissioners may pay *employees'* salaries out of the fund if the employees' responsibilities include work on county roads.

After reviewing invoices related to the work performed, the County was billed for numerous instances of public-relations work, newsletter development, and meetings. Except for one instance of "Road Washout Media Outreach," none of the invoices appeared to relate to work on roads.

Cause of Condition: The Board of County Commissioners did not ensure restricted highway funds were only used for purposes allowed by statute.

Effect of Condition: This condition resulted in using restricted funds for purposes that were not allowed.

Recommendation: OSAI recommends that the County implement safeguards to ensure restricted funds are only used for purposes allowed by state statute.

Management Response:

Dan DeLozier, District 1 County Commissioner, Chairman: When this individual was hired as the Public Information Officer it was to address specific issues dealing with roads and bridges. When it was discovered that this was not the sole purpose of her employment, her contract was not renewed.

Mike Helm, District 2 County Commissioner: Chose not to respond.

Kirt Thacker, District 3 County Commissioner: The Board as whole was told the Public Information Officer (PIO) position was to assist us with giving information to the public concerning road closures,

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road conditions, bridge work/projects, etc. Upon my discovery that the PIO was not performing these duties, Commissioner DeLozier and I terminated the contract with the PIO.

Criteria: According to 69 O.S. § 1503(a), a board of county commissioners may expend money in the county-highway fund “on county highways.” According to 1996 OK AG 14, county commissioners may pay *employees’* salaries out of the fund if the employees’ responsibilities include work on county roads.

Finding 2011-27 – Purchases ‘Split’ to Avoid Competitive Bidding

Condition: It was noted that purchase were made without soliciting bids when required by statute.

Instance 1:

On March 9, 2012, a salesman sent District 2 Commissioner a list of price quotes for lubrication systems for six pieces of equipment with a total of \$56,200. The quote met the requirement that the services should be bid. However, the District 2 Commissioner requisitioned these items separately and did not solicit bids. The service was paid on six separate purchase orders with dates ranging from March 29, 2012 through August 13, 2012.

Because of a request made to the Attorney General, the issue of investigating allegations of bid splitting was assigned to the District Attorney of District 13. On November 8, 2012, an Assistant District Attorney of District 13 wrote a letter to Commissioners Helm and Thacker, informing them that it was his opinion that they both violated the intent of the statute with respect to four particular purchase orders to this same vendor for services received during a period of November 9, 2009 through December 7, 2009.

Instance 2:

District 2 Commissioner requisitioned materials on August 7, 2012 for \$11,034.50. The amount was above the \$10,000 limit, thus requiring bid solicitation. The purchase order, receiving report, and invoice were forwarded to the County Clerk where it was noted that it exceeded the limit requiring a bid.

On September 27, 2012, the vendor issued the County a credit of \$2,283.00 for the return of a portion of the materials. A second receiving report with the original receiving date of August 7, 2012 reflects the credit.

Assistant District Attorney David Iski opined to the County Commissioners that the purchase was improper, and they subsequently solicited bids from six companies for a six-month bid award for purchasing the material.

Cause of Condition: Procedures, designed by statute, have not been followed to ensure commonly used services are bid as required by state statutes.

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Effect of Condition: The County paid more for the goods/services when not bidding for a commonly used good/service. These purchases are in violation of the state statutes.

Recommendation: OSAI recommends the Purchasing Agent solicit, from county officials and department heads, recommendations of commonly used supplies, materials and equipment. The criterion for placing an item on the bid list should be that it is commonly used, not the item's size or price, the quantity needed, or the number of offices using the item. The County should maintain accurate pricing information to plan, budget, and requisition by placing items on a bid list and soliciting bids in advance of need.

Management Response:

Dan DeLozier, District 1 County Commissioner, Chairman: Chose not to respond.

Mike Helm, District 2 County Commissioner: Chose not to respond.

Kirt Thacker, District 3 County Commissioner: Chose not to respond.

Criteria: Title 19 O.S. § 1505(B) requires the counties to solicit bids, compare them to the state contract price for the items, and select "the lowest and best bid based upon, if applicable, the availability of material and transportation cost to the job site within 30 days," specifying the reason "any time the lowest bid was not considered to be the lowest and best bid."

Finding 2011-28 – Vendor-paid Events - Contributions Solicited from Vendors

Condition: On several occasions, District 2 Secretary Robin Anderson (currently Rogers County Clerk) has solicited donations/contributions from vendors doing business with the County for parties and events on behalf of District 2 Commissioner Mike Helm.

Cause of Condition: Procedures have not been designed by the County to ensure all donations are accepted by the Board of County Commissioners in an open meeting.

Effect of Condition: These conditions could result in unrecorded transactions, misstated financial reports, misappropriation of funds, and could result in noncompliance with state statutes and constitutional provisions.

Recommendation: OSAI recommends all donations to County Officials of Rogers County be received by the Board in accordance with Title 60 O.S. § 390.

Management Response:

Dan DeLozier, District 1 County Commissioner, Chairman: These actions were all done by District 2 Commissioner, Mike Helm and his staff. District 1 does not solicit any vendors for any reason and adheres to the Rogers County Handbook regarding all policies.

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Mike Helm, District 2 County Commissioner: Chose not to respond.

Kirt Thacker, District 3 County Commissioner: The BOCC as a whole was unaware of this. This was entirely District 2 Commissioner, Mike Helm's issue. At no time have I solicited contributions from vendors.

Criteria: Good internal controls would include policies and procedures implemented by Rogers County to ensure compliance with state statutes regarding donated gifts.

Title 60 O.S. § 390 states, "The board of county commissioners of each county of the state, as to such county, and the governing board of each city, town and school district of the state, as to each such governmental subdivision, is hereby authorized in its discretion to accept, upon behalf of such county, city, town or school district, any gift, testamentary or otherwise, whether unconditional or conditional, of any property, whether real or personal or both, to such county, city, town, or school district, or any institution, department or agency thereof; and, in such instances, the property, or, in the case of real property or intangible personal property, the muniments of title thereto, shall be delivered to, and any necessary receipts therefore shall be executed by, such board."

SECTION 2—This section contains certain matters not required to be reported in accordance with *Government Auditing Standards*. However, we believe these matters are significant enough to bring to management's attention. We recommend that management consider these matters and take appropriate corrective action.

Finding 2011-8 – Inadequate Internal Controls Over Court Clerk Receipts and Expenditures and Noncompliance with State Statute

Condition: While gaining an understanding of the Court Clerk processes and testing Court Clerk procedures for fiscal year ending June 30, 2011, we noted the following:

- All of the employees have access to the combination of the safe.
- The Court Fund Budget provided to the auditor was not signed by the Chief Justice.
- Seven Court Fund Claims could not be located.
- The Revolving Fund Annual Report is not adequately reconciled.
- One of the citations for the traffic ticket test could not be located.
- The Law Library Fund was not reconciled to the Treasurer's balance as of June 30, 2011.

Cause of Condition: The Court Clerk does not limit who has access to the safe. Also, the Court Clerk does not enforce procedures for the signing of Court Fund Budget, the reconciliation of Court Clerk Revolving Fund to the Treasurer, and the citations for traffic tickets. Management is not requiring reconciliations be performed between the financial records of the Law Library and those of the County Treasurer.

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Effect of Condition: These conditions could result in the unauthorized transactions, misappropriation of funds, or clerical errors that are not detected in a timely manner.

Recommendation: OSAI recommends that only a limited amount of employees have access to the safe and enforce the proper procedures for disbursing from the Court Clerk Revolving Fund. Procedures should be put in place to ensure that a proper reconciliation between the Court Clerk's records and the Treasurer's records are being performed and reviewed by someone other than the preparer. The Court Clerk's office should make sure that the Court Fund Budget is signed by the Chief Justice and that all citations can be located.

Management Response:

Kim Henry, Court Clerk: The previous Court Clerk was the Court Clerk for the fiscal year 2012. She did allow all employees access to the safe. However when I took office on January 2, 2013 and we moved to the new Courthouse in April 2013, we moved our safe from the old safe which was movable to a new fire proof safe that only myself, my First Deputy, and Supervisor have access to said safe. It is not a combination lock. It is locked by key and is inside my Supervisor's office where it is locked each night when we leave and remains locked until we come in the next business day. We will make sure we receive a signed copy from the Chief Justice each year. How the previous Court Clerk reconciled the annual report is unknown to us. However after I took office on January 2, 2013, myself and my First Deputy met with the Administrative Office of the Courts and were instructed in detail how to complete all necessary reports. The Revolving Fund is reconciled on a quarterly basis with the Treasurer and the report is signed off by both me, the District Court Judge, Associate Judge, and the Treasurer before being forwarded to the Administrative Office of the Courts. There is also a Revolving Fund report completed on a yearly basis that is handled the same way and it is due by July 31st of each fiscal year.

To our knowledge a previous report under the previous administration, was off and caused the quarterly report of January, 2013 to not balance. This information was provided by Administrative Office of the Courts. Quarterly reports and annual reports have balanced with the Treasurer since I took office in January, 2013. The Law Library Fund reconciliation was, to my knowledge, being completed by a former employee of the Law Library. After I took office on January 2, 2013, this employee retired and my First Deputy has taken over the Law Library reports and they have balanced quarterly and annually.

Criteria: Accountability and stewardship are overall goals in evaluating management's accounting of funds. An important aspect of internal controls is the safeguarding of assets. Internal controls over safeguarding of assets constitute a process, affected by an entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from misappropriation. Internal controls should be designed to analyze and check accuracy, completeness, and authorization of disbursements, signatures, safeguarding of assets and reconciliation.

Title 19 O.S. § 220 (A) states, "Claims against the fund shall include only expenses incurred for the operation of the court clerk's office in each county, and payment may be made after the claim is approved by the court clerk and either the district or the associate district judge of that county."

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Title 20 O.S. § 1304 states in part, “claims against the court fund should include only expenses incurred for the operation of the court, approved by the district judge, and either the local court clerks or the local associate district judge.”

Finding 2011-9 - Inadequate Internal Controls and Noncompliance Over the Inmate Trust and Sheriff Commissary

Condition: An examination of the Inmate Trust Fund and Sheriff Commissary Fund reflected the following:

- There is an inadequate segregation of duties regarding the County Sheriff’s Inmate Trust Fund. One employee has the duties of issuing receipts, delivering the deposit to the bank, and performing the reconciliation.
- The June 30th reconciliation of Inmate Trust Fund ledgers does not identify individual inmate funds.
- Disbursements from the Inmate Trust Fund are being made to other accounts besides the Sheriff Commissary Fund or as a refund to the inmate.
- The Annual Commissary Report did not contain beginning and ending balances.
- Transfers made to the Sheriff Commissary Fund, per bank statement, did not agree with the income stated on the Annual Commissary Report.
- The disbursement data that was provided to OSAI did not agree with the Annual Commissary Report.

Cause of Condition: Policies and procedures have not been designed regarding the Inmate Trust and Sheriff Commissary Funds.

Effect of Condition: These conditions resulted in noncompliance with state statutes and could result in unrecorded transactions, misstated financial reports, undetected errors, and misappropriation of funds.

Recommendation: OSAI recommends that key duties and responsibilities be segregated among different individuals to reduce the risk of error or fraud. OSAI also recommends that the Sheriff maintain Inmate Trust Fund monies in a manner that reflects each inmate’s trust deposits, disbursements, and account balances. The inmate’s trust fund balances should be reconciled to the bank statements each month, collection of inmate monies should be deposited daily, and no operating expenditures should be made from this fund. All checks from the Inmate Trust Fund should be signed and have two authorized signatures. The County Sheriff should comply with state statutes regarding the Sheriff Commissary Fund with the County Treasurer. The Sheriff should file a report of the commissary with the County Commissioners by January 15th, of each year.

Management Response:

Amanda McLemore – Lieutenant: Action has been taken to correct this for the future. The Inmate Trust Fund duties have been segregated. We will print the ledgers with each inmate’s name and reconcile it to the Inmate Trust Fund at June 30th. The Commissary Clerk has been instructed that no check, from

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the Inmate Trust Fund will be cut to anyone other than the inmate or the Sheriff Commissary Fund. Furthermore, we will take corrective action to ensure all figures match on the Sheriff Commissary Report and present it to the Board of County Commissioners before January 15th of each year.

Criteria: Effective accounting procedures and internal controls are necessary to ensure stewardship and accountability of public funds. Safeguarding controls are an aspect of internal controls. Safeguarding controls relate to the prevention or timely detection of unauthorized transaction and unauthorized access to assets. Failure to perform tasks that are part of internal controls, such as reconciliations not performed or not timely prepared, are deficiencies in internal control. Further, reconciliations should be performed on a monthly basis.

Effective internal controls should provide for procedures wherein receipts for the monies collected are maintained and available for inspection and deposits are made in a timely manner.

Title 19 O.S. § 180.43 E. and D. states in part, “Any funds received pursuant to said operations shall be the funds of the county where the persons are incarcerated and shall be deposited in the Sheriff’s Commissary Account. The sheriff shall be permitted to expend the funds to improve or provide jail services. The sheriff shall be permitted to expend any surplus in the Sheriff’s Commissary Account for administering expenses for training equipment, travel or for capital expenditures. The claims for expenses shall be filed with and allowed by the board of county commissioners in the same manner as other claims. The Sheriff shall receive no compensation for the operation of said commissary. The sheriff shall file an annual report on any said commissary under his or her operation no later than January 15th of each year.”

Title 19 O.S. § 531 (A) states in part, “The county sheriff may establish a checking account, to be designated the “Inmate Trust Checking Account.” The county sheriff shall deposit all monies collected from inmates incarcerated in the county jail into this checking account and may write checks to the Sheriff’s Commissary Account for purchases made by the inmate during his or her incarceration and to the inmate from unencumbered balances due the inmate upon his or her discharge.” In addition, Title 19 O.S. § 531 C. states, “Banking fees on the account may be paid out of the Sheriff Commissary Account or the county Sheriff’s Service Cash Fund.”

Finding 2011-11 – Estimate of Needs Not Accurately Presented

Condition: During review of the County’s Estimate of Needs, it was determined that the receipts, disbursements, and beginning and ending cash balances on the 2010-2011 Estimate of Needs were inaccurate and did not agree to the County’s financial statements.

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	Beginning Balance	Apportionments	Disbursements	Ending Balance
Financial Statements	\$5,315,387	\$16,182,144	\$16,188,868	\$5,308,663
Estimate of Needs	<u>\$5,282,054</u>	<u>\$15,919,539</u>	<u>\$16,204,579</u>	<u>\$5,227,380</u>
Variance	<u>\$ 33,333</u>	<u>\$ 262,605</u>	<u>\$ 15,711</u>	<u>\$ 81,283</u>

Cause of Condition: Procedures have not been designed to ensure the County's Estimate of Needs is accurate.

Effect of Condition: These conditions result in an inaccurate Estimate of Needs being approved by the Excise Board.

Recommendation: OSAI recommends management ensure that cash receipts and disbursements on the budget reconcile to the financial statements and that all amounts are identified and include supporting documentation.

Management Response:

Dan DeLozier, District 1 County Commissioner, Chairman: The County has hired a CPA firm and will ensure the Estimate of Needs agrees to the financial statements in the future.

Criteria: The adopted budget is an expression of public policy and financial intent and is a method of providing controls over that intent.

Additionally, Title 68 O.S. 2001 § 3002 states in part:

...each board of county commissioners...shall prior to October 1 of each year, make, in writing, a financial statement, showing the true financial condition of their respective political subdivisions as of the close of the previous fiscal year ended June 30th, and shall make a written itemized statement of estimated needs and probable income from all sources including ad valorem tax for the current fiscal year. Such financial statements shall be supported by schedules or exhibits showing, by classes, the amount of all receipts and disbursements, and shall be sworn to as being true and correct...



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